Cardiff & Vale of Glamorgan
Pension Fund

ANNUAL REPORT AND ACCOUNTS 2022/23

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

CONTENTS

EXECUTIVE SUMMARY

- The total value of the Fund decreased by 2.1% over the year with a valuation of £2.635 billion as at 31 March 2023, compared to the previous year end valuation of £2.693 billion.

- During 2022/23 financial markets saw a continuation of the economic headwinds markets experienced towards the end of 2021/22 with market sentiment impacted by a combination of issues including the increases in global interest rates to combat rising inflation, the slow growth in China following the relaxation of the zero-Covid policy and continued geo-political concerns with a continuation of the war in Ukraine. The Fund experienced a negative return on investments for the year of-2.8%, slightly below the benchmark return of-2.6%.

- The Fund remains in a positive cashflow position with regard to its dealings with members of the Fund with contributions and transfer values received exceeding benefits, refunds and transfer values paid by £15.0 million.

- Total membership of the Fund as at 31.03.2023 includes 17,660 active contributors accounts whilst there are now 12,880 pensioner accounts and 13,689 deferred pensioners.

- The 31 March 2022 triennial valuation of the Fund was completed by the Fund Actuary in March 2023. This valuation saw the funding level ration increase to 98% compared to the previous level of 96%. This increase in funding level was achieved whilst increasing the prudence of some of the assumptions underpinning the valuation including increasing the probability of Funding success to 78%, a short term allowance to cover the current high inflation levels and a reduction in the recovery period to 14 years. The impact of the key macro-economic assumptions is broadly unchanged with higher investment returns offset by higher CPI and pay growth assumptions. The next triannual valuation will be as at 31 March 2025 with this work being completed during 2022/23.

- After the significant movement of this Fund's assets into Wales Pension Partnership (WPP) Funds during 2021/22, 2022/23 saw a period of consolidation and development with no assets transferring during 2022/23. Significant development work was undertaken with the WPP Private Markets sub-funds with allocators appointed for the WPP Private Credit, Infrastructure and Private Equity sub-funds with these sub-funds expected to receive investments from this Fund in 2023/24. Work has also progressed with the setting up of the WPP Sustainable Equity sub-fund which will have a climate focus and was launched in July 2023. As at 31 March 2023 63% of the value of the Fund's was held in WPP Funds. The percentage of assets pooled if the Low Carbon Equity Tracker Fund is included increases to 86%.

- Summary statistics for the Fund are shown in Appendix 1.

NARRATIVE REPORT

Cardiff Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is part of the national Local Government Pension Scheme (LGPS) for England & Wales. The LGPS is the statutory occupational pension scheme for all local government employees (except teachers) and the regulations are determined by the UK Government.

The Council's responsibilities as manager of the Fund are discharged through the Pension Fund Committee which has oversight of the Fund's strategies and policies. Operational management of the Fund has been delegated to the Corporate Director Resources. The Local Pension Board assists the Council to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and to ensure the effective and efficient administration of the scheme. The Pension Fund Committee also continues to be assisted by the Investment Advisory Panel whose membership includes two independent advisors.

The membership of the Fund as at 31 March 2023 was 44,229 with 17,660 contributing employees, 12,880 pensioners and 13,689 deferred members.

The value of the Pension Fund's Investment assets as at 31 March 2023 was £2,635 million a decrease of 2.1% compared with the 31 March 2022 valuation of £2,693 million. 2022 was a difficult year for Investment markets globally as market sentiment was impacted by the continuation of the war in Ukraine and increases in Central Bank interest rates in response to increases in inflation. Quarter 1 2023 has seen signs of improvement but as evidenced by recent events with global banks, the investment markets remain volatile. As the Fund only had a limited holding in UK Government Gilts and no Liability Driven Investments (LDI) there was no material impact on the Fund from the September 2022 "liquidity crisis" where falling Gilt prices saw some Pension Funds engage in asset sales to maintain liquidity levels in LDI assets.

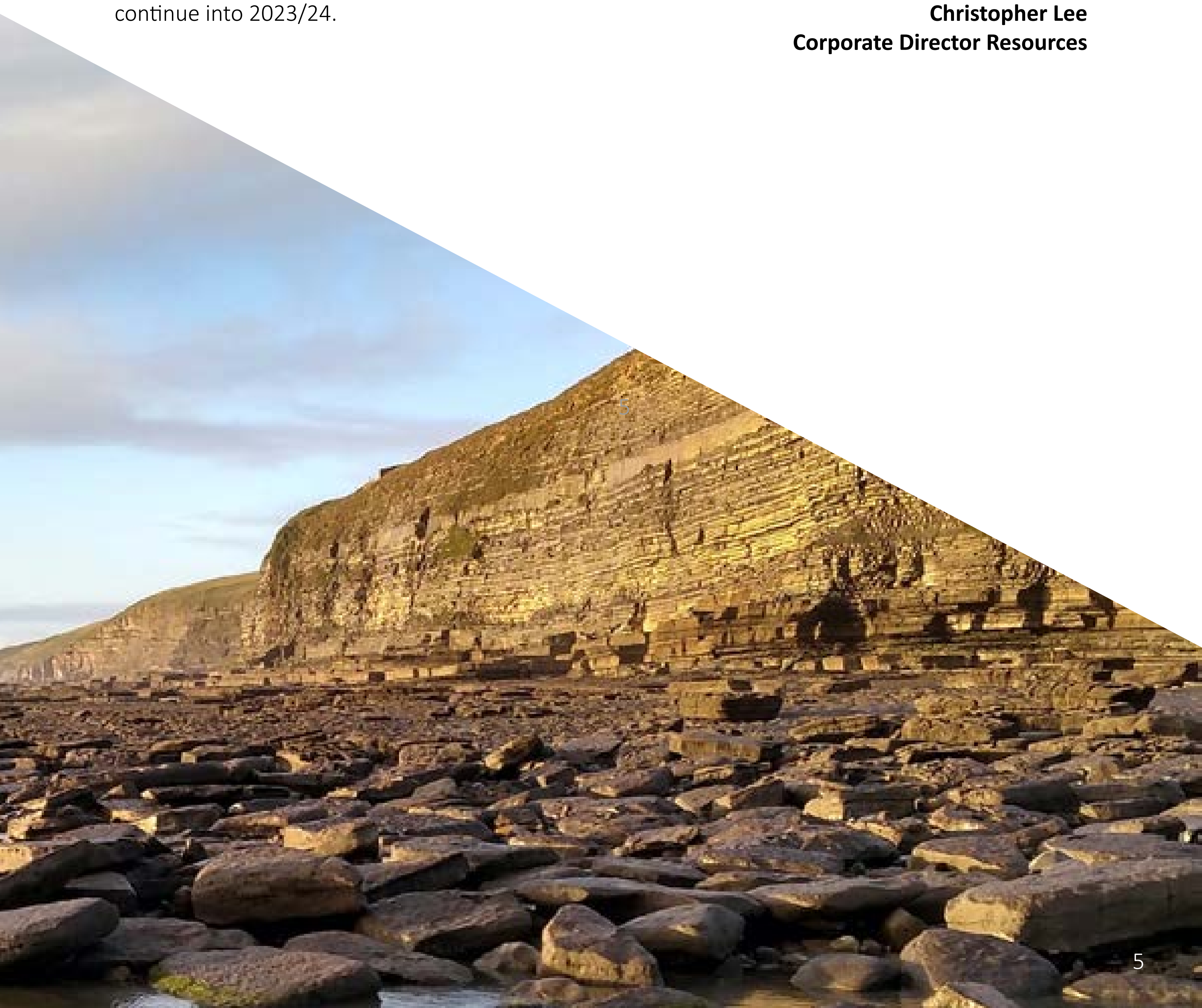
The eight LGPS fund authorities in Wales continued to make progress during the year with the development of the Wales Pension Partnership (WPP). The focus during 2022/23 has been on the establishment of WPP Private Market sub-funds as well as the WPP Sustainable Active Equity sub-funds. Investment Fund Managers for the Private Credit, Infrastructure and Private Equity sub-funds have been announced and these should launch in 2023/24. The Sustainable Equity Fund is due to launch in June 2023.

At 31 March 2023 the value of the Fund's assets held in seven WPP sub-funds was 63% of the Fund's total value which increases to 86% of Fund value being pooled if the jointly procured BlackRock fund is included.

During February 2023 the WPP was informed by the Financial Reporting Council (FRC) that it had been successful in its application to remain a signatory to the UK 2020 Stewardship Code. This success demonstrates the commitment of the Welsh LGPS Funds, including this Fund, to Responsible Investment (RI), which will continue to be developed over future years. This Fund has started the work to consider setting its own "Net Zero" target which will continue into 2023/24.

In 2022/23 Aon the Fund Actuary, completed their tri-annual actuarial valuation of the Fund as at 31 March 2022. The results saw a small increase in the funding level to 98%, compared to 96% for the 2019 valuation but with additional prudence included in the 2022 valuation, including a provision for the high inflation presented by the September 2022 Consumer Price Index (CPI). The average Employers Contribution rate for the Fund as a whole was 19.2%, a decrease of 2.3% compared to the equivalent rate in 2019.

Christopher Lee
Corporate Director Resources



SCHEME MANAGEMENT AND ADVISERS

The Cardiff Council 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 2023 were:

Cllr. C. Weaver	(Chair)
Cllr. D. Ali	
Cllr. R. Taylor	from May 2022
Cllr. E. Reid-Jones	from May 2022
Cllr. C. Lay	
Cllr. N. Howells	until May 2022
Cllr. G. Thomas	until May 2022

Operational management of the Fund is 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 2023 were:

Cllr C. Weaver	(Chair) Cabinet Member for Finance, Modernisation and Performance, Cardiff Council
Cllr N. Howells	Member, Cardiff Council - until May 2022
Cllr. G. Thomas	Member, Cardiff Council - until May 2022
Cllr. R. Taylor	Member, Cardiff Council - from May 2022
Cllr. E. Reid-Jones	Member, Cardiff Council - from May 2022
Mr. S. Bates	Independent Adviser
Ms. C. Burton	Independent Adviser
Mr. C. Lee	Corporate Director Resources, Cardiff Council

Local Pension Board

The Local Pension Board was established on 29 January 2015 in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council to secure compliance with the LGPS Regulations and to ensure the efficient governance of the Scheme.

Members from 1 April 2022 to 31 March 2023 were:

Michael Prior	Independent Chair

Employer Representatives:

David Llewellyn	Director of Finance, Cardiff Metropolitan University
Mark Sims	Deputy Chief and Responsible Finance Officer, Barry Town Council
Laithe Bonni	Operational Manager Employee Services, Vale of Glamorgan Council

Scheme Member Representatives:

Peter King	Unison nominee
Hilary Williams	Unison nominee
Sheelagh Doolan-Pitt*	GMB nominee
Georgia Chedzey **	GMB nominee

** Sheelagh Doolan-Pitt resigned from the Pension Board in July 2022*

*** Georgia Chedzey joined the Pension Board in October 2022*

Investment Managers from 1 April 2022 to 31 March 2023 were :

BlackRock Investment Management	Global Low Carbon Equities (indexed)
	UK Property
WPP Link Fund Solutions	UK Equities (active)
	Global Government Bonds
	Global Credit
	Multi-Asset Credit
	Global Equities (active)
	Emerging Market Equities (active)
Aberdeen Standard	UK Property
Schroders Investment Management	UK Property
UBS	UK Property
CBRE	Global Property
Capital Dynamics	Private Equity
HarbourVest	Private Equity
Pantheon	Private Equity

Professional Advisers

The Fund's professional advisers during the year were:

Actuaries	AON Hewitt Limited
Auditor	Auditor General for Wales
Bankers	NatWest Bank plc
Custodian	Northern Trust
Legal Advisers	Chief Legal Services Officer, Cardiff Council
	Sacker and Partners
Investment Advisers	Mr. S. Bates and Ms. C. Burton
Scheme Administration	Corporate Director Resources, Cardiff Council
Current 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 Ministry for Housing, Communities and Local Government. 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 2023:

	Active	Ceased	Total
Scheduled Body	17	14	31
Admitted Body	24	38	62
Total	**41**	**52**	**93**

A full list of contributing employers is given in Note 22 to the accounts.

Membership of the Fund is summarised in Note 7 to the accounts. In addition to contributors, pensioners and members with deferred benefits, as at 31 March 2023 there were 5,563 undecided leavers i.e. members to whom a refund of contributions, deferred benefit or transfer out may be due.

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 2022/23 the contribution bands were:

Band	Pensionable Pay Range	Contribution Rate
1	Up to £15,000	5.5%
2	£15,001 to £23,600	5.8%
3	£23,601 to £38,300	6.5%
4	£38,301 to £48,500	6.8%
5	£48,501 to £67,900	8.5%
6	£67,901 to £96,200	9.9%
7	£96,201 to £113,400	10.5%
8	£113,401 to £170,100	11.4%
9	£170,101 or more	12.5%

The contribution bands for 2023/24 are:

Band	Pensionable Pay Range	Contribution Rate
1	Up to £16,500	5.5%
2	£16,501 to £25,900	5.8%
3	£25,901 to £42,100	6.5%
4	£42,101 to £53,300	6.8%
5	£53,301 to £74,700	8.5%
6	£74,701 to £105,900	9.9%
7	£105,901 to £124,800	10.5%
8	£124,801 to £187,200	11.4%
9	£187,201 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 increases are payable by the Fund and future increases are estimated at each triennial valuation. Any variations are adjusted for in 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. The increase for 2022/23 was 3.1% and the increase for 2023/24 is 10.1%.

CARE benefits accrued by active Fund members since 1 April 2014 are also subject to annual CPI linked adjustments. Accounts brought forward at the start of the financial year were revalued by 3.1% and accounts carried forward into 2023/24 were revalued by 10.1% on 1 April 2023.

Additional Voluntary Contributions (AVCs)
Prudential Assurance continues as the current AVC provider for the Fund. Prudential offer information through their web site https://www.pru.co.uk/rz/localgov/

Administration
The administration of the Fund is carried out by the Pensions Team 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 POLICY AND PERFORMANCE REPORT

Investment Powers

The principal investment powers of the Fund are found in the Local Government Pension Scheme (Management & Investment of Funds) Regulations which were issued in 2016. 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 when reviewing the Fund's investment strategy.

The 2022 actuarial valuation was completed in March 2023. The Valuation Report is available on the Fund's website here:
Cardiff- 2022 actuarial valuation report FINAL (cardiffandvalepensionfund.org.uk)

The Funding Strategy Statement (FFS) approved in February 2023 by the Pension Committee is included in this report as Appendix 2.
For the 2022 valuation the funding ratio of assets against liabilities was calculated as 98%, an increase on the 2019 ratio of 96%. This was largely due to the growth in Fund assets over the three years, offset by an increase in liabilities due to changes in financial assumptions.
The overall funding deficit was reduced from £95 million to £52 million and employer contributions have been set for the next three years with the aim of recovering deficits within 14 years. The Fund Actuary has advised on suitable employer contribution rates to cover the 3 year period effective from 1 April 2023.

Fund Management

The Investment Advisory Panel aims to meet each manager with an actively managed portfolio 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 the Corporate Director Resources.

Fund management is structured on a specialist basis, with individual manager's 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 2022/23 were £5.0m (2021/22 £6.2m).

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 to commence from 2023/24 financial year was approved by the Pensions Committee on 6 February 2023.

The Investment Strategy Statement is included in this report as Appendix 3 and this document is available on the Fund's website via the following link:

https://www.cardiffandvalepensionfund.org.uk/about-the-fund/key-governance-documents/

Fund Benchmark and Strategic Asset Allocation

The Fund has agreed its own Fund Objective which was set to ensure that the Fund's asset allocation policy reflected its own liability characteristics and not the average of a peer group. The Investment Advisory panel regularly review the Fund's overall asset allocation and if appropriate make recommendations to the Pension Committee to amend the asset allocation. The Fund's overall objective strategy is to maximise investment returns and by doing so it is designed to minimise, or at least stabilise, future employer contributions and to avoid large variations in contributions. This current version of the ISS reflects the increasing significance of the pooling of the Fund's investments through the Wales Pension Partnership (WPP) as well as how Environmental, Social and Governance (ESG) considerations are taken into account with the Fund's investment decisions.

The Fund's 2022/23 planned Asset Allocation included a 50% allocation to Equities, previously 60%, which included a 16.7% allocation to a Low Carbon Fund, a 25% allocation to Global Equity, a 4.2% allocation to Emerging Markets plus 4.2% for UK Equity. The meeting of the Pension Committee in June 2022 approved the recommendation of the Investment Advisory Panel that investments should be made into the new WPP Private Markets sub-funds with allocations of 7.5% into each of the WPP Private Credit, open-ended Infrastructure and Private Equity sub-funds. The Private Credit investment is to be funded by reductions in the Fund's holdings in the WPP Global Credit and Multi-Asset Class sub-funds whereas the Infrastructure and Private Equity investments are to be funded by reductions in the Fund's Equity holdings. During 2022/23 no investments were made into these new Private Market sub-funds with investments expected to commence in 2023/24 and continue in subsequent years.

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 2022/23 the overall Fund return was-2.8%, 0.2% below the Fund's benchmark return of-2.6%. Market sentiment in 2022/23 continued to be impacted by the economic headwinds that surfaced in 2021/22 including increases in interest rates to tackle rising inflation and continued geo-political concerns.

The performance of the manager portfolios during 2022/23 compared with their benchmarks and targets was as follows:

Manager	Mandate (target against benchmark)	Benchmark Return (%)	Portfolio Target (%)	Portfolio Return (%)
WPP	Global Multi Asset Credit	N/A	6.4	-6.8
WPP	Global Government Bonds	-6.6	-6.6	-4.6
WPP	Global Credit	-6.6	-6.6	-8.2
WPP	UK Equities	2.9	4.9	4.5
WPP	Global Equities – Global Opportunities	-1.4	0.6	0.5
WPP	Global Equities – Global Growth	-1.4	0.6	-0.5
WPP	Emerging Market Equity	-4.9	-2.9	-4.2
BlackRock	Low Carbon (passive)	-4.7	-4.7	-4.1
Private Equity Funds (31)	Global Private Equity	2.9	2.9	3.8
UK Property Funds (4)	UK Property	-14.5	-14.5	-18.5
CBRE	Global Property (10% absolute return)	N/A	10.0	7.3

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.

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 average annualised 6.5% compared with a Retail Price Index (RPI) benchmark of 4.8%. In the table below the 5 Year average also compares Fund performance with RPI with the 3 year and 1 Year comparisons being against the specific fund benchmark. Using 2022/23 as the base year, comparative returns over different periods are as follows:

	Fund % p.a.	Benchmark % p.a.
1 Year (2022-2023)	-2.8	-2.6
3 Year average (2020-2023)	9.4	11.1
5 Year average (2018-2023)	5.1	6.3
10 Year average (2013-2023)	6.5	4.8

LOCAL PENSION BOARD REPORT

The Cardiff and Vale of Glamorgan Pension Fund Local Pension Board (the Board) was set up under the new arrangements for the governance of Local Authority Pension Funds introduced under the Public Service Pensions Act 2013. The first meeting of the Board was held in July 2015. The primary purpose of the Board is to assist Cardiff Council (as the Administering Authority) in the management of the Cardiff and Vale of Glamorgan LGPS Fund (the Fund). The Board is not involved in the day to day running of the Pension Fund but provides oversight and challenge.

The terms of reference for the Board was updated at the meeting of the County Council of the City and County of Cardiff held on 30 March 2023 and a copy of the current terms of reference, showing the changes to the previous version, can be found via the following link:
Appendix 1.pdf (moderngov.co.uk)

Membership

The Board has seven members with an independent Chair plus three Employer representatives and three Member representatives, nominated by Trade Unions. The membership of the Board during 2022/23 is shown in the table below:

Type	Status	Name	Organisation
Chair	Current	Michael Prior	Independent
Employer	Current	Laithe Bonni	Vale of Glamorgan Council
Employer	Current	David Llewelyn	Cardiff Metropolitan University
Employer	Current	Mark Sims	Barry Town Council
Member	Current	Peter King	Union nominated representative
Member	Current	Hilary Williams	Union nominated representative
Member	Resigned – July 2022	Sheelagh Doolan-Pitt	Union nominated representative
Member	New – October 2022	Georgia Chedzey	Union nominated representative

Board Member Attendance 2022-23

The Board met on three occasions during 2022/23 plus an annual informal joint meeting was held with the Pension Committee in July 2022. During 2022/23 the Board re-introduced in-person meetings and has moved to a pattern of every other meeting being held in person with the alternate meeting being held on Teams. Attendance at the 2022/23 meetings was as follows:

	26 April 2022	07 November 2022	24 January 2023
Michael Prior	√	√	√
David Llewelyn	√	√	
Mark Sims	√	√	√
Laithe Bonnie		√	√
Peter King	√	√	√
Hilary Williams	√		√
Sheelagh Doolan-Pitt	√	N/A	N/A
Georgia Chedzey	N/A	√	

Further information on the individual Board Members can be found on the Fund website:
Pensions Committee and Board- Cardiff and Vale Pension Fund

Summary of 2022/23 Activity

The Board is not a decision-making body, its role is to provide advice and comment on the management of the Fund so the Board meetings are typically aligned with those of the Pension Committee. This allows the Board to review and comment on reports and policies before they are presented to the Committee for approval.

During 2022/23 the Board considered and discussed the following :

- The 2022/23 Pension Fund Business Plan
- The 2021/22 Unaudited Pension Annual Report
- Undertook an annual review of the Fund's Policies and Strategies including
  - Communications Policy
  - Complaints and Communications Policy
  - Administration Strategy
- Considered proposed amendments to the Funding Strategy Statement (FSS) and received an update on the 31/03/22 tri-annual valuation.
- Reviewed the Fund's Governance Compliance Statement

In addition to the above reports for each meeting of the Board it also receives the following reports as standing items on the Board meeting agenda:

Administration Report

This provides the Board with an update on work being carried out by the Pensions Section. This report include updates on the Pensions Administration Team's workload and performance including a comparison with previous years as well as updates on staffing and resources. The report includes updates on current and future initiatives such as how the Team is rolling out the Member Self-Service initiative as well as preparing for McCloud and GMP as well as updates on recruitment.

Risk Register

The Pension Fund maintains a Risk Register, using the Cardiff Council format, and the review of the Risk Register is a standing item at the Board meetings. During the year, the Board made various recommendations regarding the Risk Register including recommending higher scores for certain risks e.g. cyber security and the Pension Team resources following the difficulties experienced with recruiting and retaining staff in the Pension Team.

Wales Pension Partnership (WPP) / Investment Update
Whilst the Board focuses on administration and governance issues, investment issues are not ignored and a high-level update on the investment performance of the Fund and the wider Financial Markets is provided at each meeting. Given the increasing significance of the WPP in providing investment products for the Fund the Board is kept updated on plans for new WPP sub-funds, which in 2022/23 focussed on Private Markets and the Sustainable Global Equity sub-fund.

In addition the Chair of the Local Pension Board attends the WPP Chairs Engagement meetings along with the Chairs of the other seven LGPS Pension Boards in Wales. These meetings, which are held twice a year, are an additional initiative to foster stakeholder engagement between the WPP and the eight LGPS Funds in Wales.

Training
Board members are informed of external training opportunities such as LGA and CIPFA Pensions Network events and are encouraged to attend if available in line with the guidance issued by the Pension Regulator. Examples of training events attended by Board members during 2022/23 include:

- CIPFA – LGPS Local Pension Board Members Annual Full Day Event – May 2022
- Aon – CIPFA knowledge and skills competencies framework – June 2022
- CIPFA – LGPS Fundamental 3-day training sessions – November and December 2022
- CIPFA – LGPS update including DLUHC Pooling consultation- November2022
- CIPFA – LGPS Annual Governance Conference – January 2023

Board members are also encouraged to attend the quarterly on-line training events provided by the WPP. These events focus on the investment activities undertaken by the WPP but cover a wide range of issues relevant to Board members which in 2022/23 included an introduction to Sustainable Equity, the role of the Allocator with Private Market Asset classes, an overview of roles and responsibilities with regard to governance and administration within the WPP, the progress of other LGPS Pools and collaboration opportunities.

Wales Pension Partnership (WPP)

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

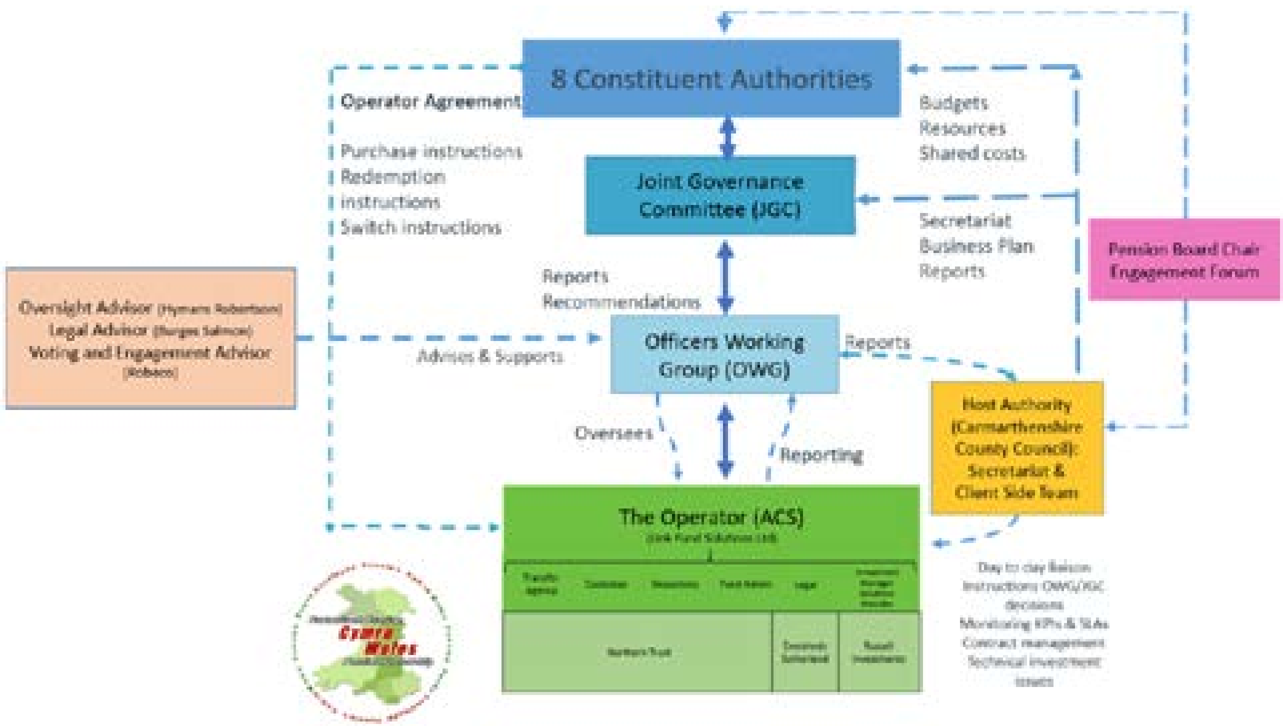
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Cyngor Gwynedd
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and workplan, as well at its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative.

The Officer Working Group (OWG) provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- Direct engagement – attendance at annual committee meetings
- Indirect engagement – with CAs collectively, through the JGC and OWG

In collaboration with Link Fund Solutions, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

Overarching Principles
WPP Objectives
WPP Beliefs

Investment
Responsible Investment Policy
Climate Risk Policy
Voting Policy
Rebalancing & Alteration Policy

Training & Communication
Training Policy & Plan
Communication Policy

Governance
Governance Manual
Governance Decision Matrix
Risk Policy
Risk Register
Conflict of Interest and Procedure Policy
Business Continuity Plan
Complaints Policy
Whistleblowing Policy

Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP's ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies.

The WPP's Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website: https://www.walespensionpartnership.org/

Risk

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has pooled 70% of assets.

As at 31 March 2023, WPP has total assets worth £22.5bn, £15.6bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2023 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,274,153	14.6
Global Opportunities Equity Fund	Russell Investments	February 2019	3,269,124	14.6
UK Opportunities Equity Fund	Russell Investments	September 2019	760,143	3.4
Emerging Markets Equity Fund	Russell Investments	October 2021	354,601	1.6
Global Credit Fund	Russell Investments	July 2020	693,665	3.1
Global Government Bond Fund	Russell Investments	July 2020	481,417	2.1
UK Credit Fund	Link Fund Solutions	July 2020	520,721	2.3
Multi-Asset Credit Fund	Russell Investments	July 2020	655,191	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	559,107	2.5
Passive Investments	BlackRock	March 2016	5,074,366	22.6
Investments not yet pooled			6,812,892	30.3
Total Investments across all 8 Pension Funds			**22,455,380**	**100**

Investment assets split between the Cardiff & Vale of Glamorgan Pension Fund and WPP

	31 March 2023 £000	%
Global / UK Opportunities / Emerging Markets Equities	1,094,523	42
Global Credit / Global Government / MAC	569,868	22
Passive Equities	590,795	22
Investments not yet pooled	380,222	14
Total Investment Assets		**100**

The above table summarises Cardiff & the Vale of Glamorgan Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund. During the year, none of the Fund's assets transitioned to the WPP portfolios and the table above shows the assets currently managed by the pool as at 31 March 2023.

Pooling costs
Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs (the running costs) are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Cardiff & the Vale of Glamorgan Pension Fund for the financial year ending 31 March 2023 was £158k, see table below.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund. No transitions to the WPP were undertaken by the Cardiff & Vale of Glamorgan Pension Fund during 2022/23.

Details of the costs incurred by the Cardiff & Vale of Glamorgan Pension Fund in respect of the WPP are detailed below.

2021/22 £000	WPP pooling costs	2021/22 £000
20.3	Host Authority Costs	20.9
114.4	External Advisor Costs	137.1
134.7	**Total**	**158.0**

Ongoing Investment Management Costs)
The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP.

	Asset Pool			Non-Asset Pool			Fund Total
	Direct £000s	Indirect £000s	Total £000s	Direct £000s	Indirect £000s	Total £000s	£000s
Management Fees	117	3,561	3,678	2,697	876	3,573	7,251
Asset pool shared costs	158		158			0	158
Transaction costs	1,124	1,717	2,841			0	2,841
Custody	297		297	24		24	321
Transition Costs	0		0	0		0	0
Other	0		0	64		64	64
Total £000	**1,696**	**5,278**	**6,974**	**2,785**	**876**	**3,661**	**10,635**

Objectives 2023/24
Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The operator / allocators will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

In establishing the WPP pool, the prime focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisors and they have assisted the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes. The Infrastructure, Private Credit and Private Equity allocators have been appointed and work is underway with Real Estate.

WPP's Infrastructure and Private Credit investment programmes have been launched with the Private Equity investment programme due to launch in 2023/24. No funds have yet transitioned into these programmes.

A transition timetable has been provided below:

Investment Portfolio	Timeline for Launch / Implementation
Sustainable Equities	Launch due mid-2023
Private Debt / Infrastructure	Investments to commence in 2023/24
Private Equity	Investments to commence in 2023/24

During 2022/23, the WPP published its second annual Stewardship Report, remaining a signatory to the 2020 UK Stewardship Code. This year has seen an enhanced approach as a responsible investor with the establishment of an engagement framework to review its engagement themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs. 2023/24 will see further enhancements, with the delivery of a WPP climate report, in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. WPP is also working closely with its service providers to further its responsible-investment aims, including evolving its Voting Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy.

There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Securities Lending
Securities lending commenced in March 2020. Revenue is split on a 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2022/23 was £1,328,759 (gross) / £1,129,506 (net) with £454,055,992 out on loan as at 31 March 2023.

More detailed information can be found in WPP's Annual Return which is published on the WPP website- Wales Pension Fund | Home (walespensionpartnership.org)

ACTUARIAL STATEMENT

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS 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 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £2,698.9M) covering 98% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	19.5%	0.932
2024	19.5%	0.962
2025	19.5%	0.994

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service	**4.5% p.a.**
Discount rate for periods after leaving service	
Scheduled and subsumption body funding target *	4.5% p.a.
Ongoing orphan funding target	1.3% p.a.
Rate of pay increases	**3.3% p.a.**
**Rate of increase to pension accounts ** **	**2.3% p.a.**
Rate of increases in pensions in payment ** (in excess of Guaranteed Minimum Pension)	**2.3% p.a.**

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

** *In addition, a 10% uplift has been applied to the past service liabilities on the scheduled body and subsumption funding target to make allowance for short-term inflation above the long-term assumption.*

In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.

The assets were valued at market value.

5. 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) S3 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.5	24.6
Future pensioners aged 45 at the valuation date	23.1	25.7

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

6. The valuation results summarised in paragraphs 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 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, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:

https://www.cardiffandvalepensionfund.org.uk/wp-content/uploads/Cardiff-2022-actuarial-valuation-report-FINAL.pdf

Aon Solutions UK Limited
May 2023

AUDITORS STATEMENT

The statement of the Auditor General for Wales to the members of the County Council of the City and County of Cardiff as the administering authority for the Cardiff and Vale of Glamorgan Pension Fund on the Annual Report.

I have examined the pension fund accounts and related notes contained in the 2022-23 Annual Report of Cardiff and Vale of Glamorgan Pension Fund to establish whether they are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2023 which were authorised for issue on 26 October 2023. The pension fund accounts comprise the Fund Account and the Net Assets Statement.

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, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts produced by Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2023 which were authorised for issue on 26 October 2023 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 pension fund's Statement of Accounts, 8 November 2023 and the date of this statement.

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

The Administering Authority, County Council of the City and County of Cardiff, is responsible for preparing the Annual Report. My responsibility is to report my opinion on whether the pension fund accounts and related notes contained in the Annual Report are consistent, in all material respects, with the pension fund accounts and related notes included in the Statement of Accounts of the Pension Fund. 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 Executive Summary; Foreword Narrative; Management and Administration Report; Fund Administration Report; Investment Policy and Performance Report; Investment Performance Report; Local Pension Board Report; Wales Pension Partnership Report; and Actuarial Statement.

Adrian Crompton
Auditor General for Wales
30 November 2023

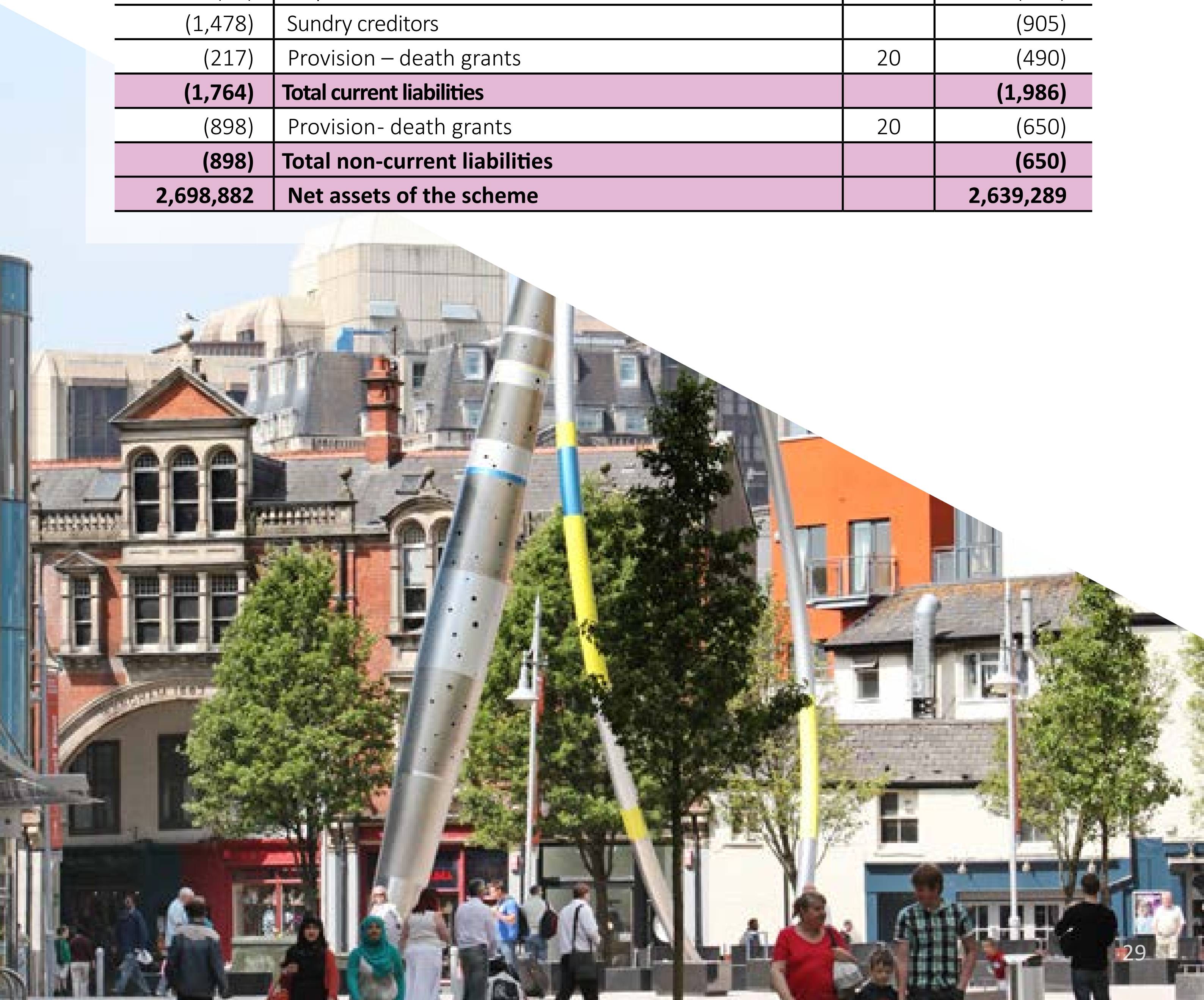
1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Fund Account

2021/22 £000		Note	2022/23 £000
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(75,155)	From employers	8	(84,513)
(22,307)	From employees	8	(24,885)
0	Group transfers from other schemes or funds		0
(4,577)	Individual transfers from other schemes or funds		(4,364)
(2,603)	Other income (capitalised payments and interest on deficit funding)		(1,264)
(104,642)			**(115,026)**
	Benefits Payable		
72,694	Pensions	9	76,139
14,745	Lump sums, grants and other payments	9	18,303
	Payments to and on account of leavers		
135	Refunds of contributions		106
0	Group transfers to other schemes or funds		0
5,030	Individual transfers to other schemes or funds		5,416
92,604			**99,964**
(12,038)	**Net (additions)/withdrawals from dealings with members of the Fund**		**(15,062)**
8,295	Management expenses	10	6,586
(3,743)	**Net (additions)/withdrawals including fund management expenses**		**(8,476)**
	Returns on Investment		
(26,156)	Investment income	11	(42,484)
(150,846)	Change in market value of investments	12a	110,553
(177,002)	**Net returns on investments**		**68,069**
(180,745)	**Net (increase)/decrease in the Fund during year**		**59,593**
(2,518,137)	Opening net assets of the scheme		(2,698,882)
(2,698,882)	**Closing net assets of the scheme**		**(2,639,289)**

Net Assets Statement

2021/22 £000		Note	2022/23 £000
2,620,864	Investments at market value	12	2,547,762
72,253	Cash (including derivatives) and investment proceeds due	12	87,646
2,693,117	**Total investments**		**2,635,408**
74	UK & overseas tax		76
5,509	Contributions due from employers and deficit funding		3,369
327	Sundry debtors		809
1,153	Pension strain costs due within one year		1,772
7,063	**Total current assets**		**6,026**
68	Deficit funding (former employers)		0
1,296	Pension strain costs due after one year		491
1,364	**Total non-current assets**		**491**
(69)	Unpaid benefits		(591)
(1,478)	Sundry creditors		(905)
(217)	Provision – death grants	20	(490)
(1,764)	**Total current liabilities**		**(1,986)**
(898)	Provision- death grants	20	(650)
(898)	**Total non-current liabilities**		**(650)**
2,698,882	**Net assets of the scheme**		**2,639,289**



NOTES TO THE ACCOUNTS

1. Description of Fund

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

General

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

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

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

Membership

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

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

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

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 16.3% to 38.9% of pensionable pay with affect from1 April 2023.

Benefits

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

2. Basis of Preparation

The Statement of Accounts summarises the funds transactions for the 2022/23 financial year and its financial position at 31 March 2023 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis.

3. Significant Accounting Policies

Accounting standards that have been issued but not yet adopted

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

Income and Expenditure

Calls and distributions from private equity are recognised at the date of issue.

Income earned within some of the pooled investments is retained by the fund manager as part of the capital assets of the fund and reflected in the higher unit price. For all other pooled investments the income is reinvested as a purchase of additional units in the fund.

Investment management expenses are recognised in year and are not included in, or netted off from, the reported return on investment.

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 have been accounted for on an accrual's basis, except the liability to pay pensions and benefits in the future, which has been separately disclosed within the notes to the accounts.

Acquisition costs of Investments

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

Valuation of Investments

Investments are included in the financial statements on a fair value basis as at the reporting date. The values of investments as shown in the net assets statement have been determined in accordance with the requirements of the Code and IFRS 13. Valuation methods employed by the fund are detailed within Note 14c.

Cash and Cash Equivalents

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

Foreign Currency Transactions

Where investment valuations are received from fund managers in foreign currencies, they are converted at the Bank of England closing spot rate at the date of valuation.

Taxation

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

4. Critical judgements in applying accounting policies

Unquoted private equity investments

These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US.

Pension fund liability

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

5. Assumptions made about the future and other major sources of estimation uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
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.

Item	Uncertainties	Effect if actual results differ from assumptions
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 £109 million. There is a risk that this investment may be under, or overstated in the accounts. Further information is provided on the sensitivity of these assets within the accounts.
Pooled Property Funds	Valuation techniques are used to determine the carrying amount of pooled property funds.	The total pooled property fund investments in the financial statements are £184 million. Changes in the valuation assumptions used, together with significant changes in rental growth could affect (increase or decrease) the fair value of property-based investments. Further information is provided on the sensitivity of these assets within the accounts.

6. Titles of Ownership

Evidences of ownership for the property unit trusts (excluding Blackrock which is held by The Northern Trust Company) and private equity holdings are held by Cardiff Council. All other evidences of ownership were held at 31 March 2023 by The Northern Trust Company for the benefit of the Council and the WPP. Statements of holdings have been provided by Northern Trust.

7. Membership

Fund membership at 31 March 2023 is as follows:

2021/22		2022/23
44	Contributing employers	40
44	**Total contributing employers**	**40**
16,876	Contributors	17,660
12,515	Pensioners	12,880
13,515	Deferred pensioners	13,689
42,906	**Total membership**	**44,229**

In addition to the above, there are also members who at year end were not yet categorised as to whether they would be deferring their pension, transferring it to another scheme or requesting a refund of their contributions and accordingly are not actively contributing to the Pension Fund. The number of members not yet categorised at 31 March 2023 was 9,215 (7,269 for March 2022).

8. Employing Bodies – Contributions

2022/23	No. of contributors at 31/03/2023	Employers £000	Deficit Funding Received £000	Total Employers £000	Employees £000	Total £000
Administering Body:						
Cardiff Council	10,808	(50,319)	0	(50,319)	(15,326)	(65,645)
Scheduled Bodies:						
Vale of Glamorgan Council	4,290	(17,284)	0	(17,284)	(5,077)	(22,361)
Town and Community Councils	60	(283)	0	(283)	(91)	(374)
Education Bodies	1,704	(8,205)	0	(8,205)	(3,097)	(11,302)
Other Scheduled Bodies **	6	(44)	0	(44)	(15)	(59)
Admitted Bodies:						
Admitted Bodies	792	(5,276)	(3,102)	(8,378)	(1,279)	(9,657)
Total	**17,660**	**(81,411)**	**(3,102)**	**(84,513)**	**(24,885)**	**(109,398)**

2021/22	No. of contributors at 31/03/2022	Employers £000	Deficit Funding Received £000	Total Employers £000	Employees £000	Total £000
Administering Body:						
Cardiff Council	10,472	(45,067)	0	(45,067)	(13,617)	(58,684)
Scheduled Bodies:						
Vale of Glamorgan Council	4,052	(15,421)	0	(15,421)	(4,570)	(19,991)
Town and Community Councils	58	(247)	0	(247)	(76)	(323)
Education Bodies	1,476	(7,459)	0	(7,459)	(2,809)	(10,268)
Other Scheduled Bodies **	6	(41)	0	(41)	(14)	(55)
Admitted Bodies:						
Admitted Bodies	812	(4,966)	(1,954)	(6,920)	(1,221)	(8,141)
Total	**16,876**	**(73,201)**	**(1,954)**	**(75,155)**	**(22,307)**	**(97,462)**

Additional deficit funding

There has been no further deficit funding agreed in 2022/23 in addition to that agreed in previous years (no additional deficit funding in 2021/22).

9. Employing Bodies - Benefits Payable

2022/23	Retirement Pensions £000	Lump Sums, Grants and Other Payments		
		Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Administering Body:				
Cardiff Council	48,125	8,608	1,603	530
Scheduled Bodies:				
Vale of Glamorgan Council	15,009	3,781	1,487	145
Town and Community Councils	221	63	0	0
Education Bodies	3,808	913	159	94
Other Scheduled Bodies	2,639	12	0	0
Admitted Bodies:				
Admitted Bodies	6,337	818	89	1
Total	**76,139**	**14,195**	**3,338**	**770**

2021/22	Retirement Pensions £000	Lump Sums, Grants and Other Payments		
		Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Administering Body:				
Cardiff Council	46,093	7,156	1,882	414
Scheduled Bodies:				
Vale of Glamorgan Council	14,149	2,326	348	119
Town and Community Councils	240	0	0	0
Education Bodies	3,522	613	308	23
Other Scheduled Bodies	2,633	128	47	0
Admitted Bodies:				
Admitted Bodies	6,057	1,175	154	52
Total	**72,694**	**11,398**	**2,739**	**608**

10. Management Expenses

2021/22 £000		2022/23 £000
1,730	Administration costs	1,370
73586	Audit fees	43
1,803	**Total administration costs**	**1,413**
430	Equities *	0
199	WPP Credit Fund	171
139	WPP Emerging Markets Fund	124
661	WPP Global Growth Fund	758
529	WPP Global Opportunities Fund	424
241	WPP Government Bond Fund	222
124	WPP Multi Asset Credit Fund	108
155	WPP UK Equity Fund	150
944	Equity pooled fund *	53
179	Pooled property investments	1,473
2,354	Private equity **	1,172
5,955	**Total management fees**	**4,655**
272	Custody fees	321
6,227	**Total investment management expenses**	**4,976**
265	Oversight and governance costs	197
8,295	**Total**	**6,586**

**2022/23 reduction in equities and equities pooled fund due to transfers to WPP in 2021/22*

***2021/22 Private equity includes third party fees totalling £0.739 million which should not have been included in this table but were included within adjustments feeding through Note 12a, the Change in Market Value. The equivalent value correctly excluded for 2022/23 was £0.337 million.*

2021/22 £000	WPP Management Expenses	2022/23 £000
163	Fund manager fees *	833
1,550	Transaction costs	1,124
335	Transition costs	0
231	Custody fees	297
2,279	**Total WPP investment management expenses**	**2,254**
135	Host authority costs	158
135	**Total WPP oversight and governance costs**	**158**
2,414	**Total**	**2,412**

Included in Management Expenses in the first table of this note is the cost of the Fund's involvement in the Wales Pension Partnership (WPP) collective investment pooling arrangement. These are further analysed in the table above. The Oversight and Governance costs are the annual running costs of the pool which are made up of the host authority costs including other external advisor costs. These costs are funded equally by all eight of the local authority pension funds in Wales. Fund Management Fees are payable to Link Fund Solutions (the WPP operator) and include the operator fee and other associated costs. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). Underlying manager fees are not included in this table.

11. Investment Income

2021/22 £000		2022/23 £000
0	Private Equity Funds	(224)
(2,428)	Global Equities *	0
(22,148)	Pooled Investments *	(37,153)
(1,177)	Pooled Property Unit Trust Income	(3,027)
(200)	Interest on UK cash	(1,865)
(203)	Securities lending	(215)
(26,156)	**Total**	**(42,484)**

**Movement between categories during 2021/22 due to transition to WPP investments*

12. Investments at Market Value

2021/22 £000		2022/23 £000
216,400	WPP Credit Fund	198,116
115,003	WPP Emerging Markets	110,799
211,609	WPP Global Growth	209,723
530,428	WPP Global Opportunities	531,513
243,194	WPP Government Bond Fund	230,817
150,309	WPP Multi Asset Credit Fund	140,935
232,958	WPP UK Equity Fund	242,488
1,699,901	**Total WPP pooled funds**	**1,664,391**
616,030	Equity pooled	590,795
2,315,931	**Total pooled funds (incl WPP)**	**2,255,186**
201,606	Pooled property investments	183,538
103,327	Private equity	109,038
2,620,864	**Subtotal**	**2,547,762**
2,194	Fund manager's cash	5,115
70,059	Internal/custodian cash	82,531
0	Net investment proceeds due	0
72,253	**Total cash**	**87,646**
2,693,117	**Total investment assets**	**2,635,408**

12a. Reconciliation in movement in investments

2022/23	Value at 31/03/22 £000	Purchase at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/23 £000
Pooled funds	2,315,931	37,152	0	(97,897)	2,255,186
Pooled property unit trusts	201,606	2,691	0	(20,759)	183,538
Private equity	103,327	15,038	(13,359)	4,032	109,038
Sub-total	**2,620,864**	**54,881**	**(13,359)**	**(114,624)**	**2,547,762**
Managers' cash	2,194				5,115
Internal/custodian cash	70,059				82,531
Debtors	0				0
Total cash	**72,253**				**87,646**
Sub-total	**2,693,117**			**(114,624)**	**2,635,408**
Net realised movement in cash				4,071	
Total	**2,693,117**			**(110,553)**	**2,635,408**

2021/22	Value at 31/03/21 £000	Purchase at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/22 £000
Equities	238,549	2,242	(249,929)	9,138	0
Pooled funds	1,968,796	1,159,234	(892,119)	80,020	2,315,931
Pooled property unit trusts	166,559	904	0	34,143	201,606
Private equity	90,669	8,971	(24,436)	28,122	103,327
Sub-total	**2,464,573**	**1,171,351**	**(1,166,484)**	**151,423**	**2,620,864**
Managers' cash	5,372				2,194
Internal/custodian cash	39,563				70,059
Debtors	567				0
Total cash	**45,502**				**72,253**
Sub-total	**2,510,075**			**151,423**	**2,693,117**
Net realised movement in cash				(577)	
Total	**2,510,075**			**150,846**	**2,693,117**

13. Summary of manager’s portfolio values

2021/22		Fund Manager	2022/23	
£000	% of Fund		£000	% of Fund
616,030	22.9	Blackrock Investment Management	590,795	22.4
1,699,901	63.1	Wales Pension Partnership (WPP)	1,664,391	63.2
65,292	2.4	CBRE- Global Property	70,052	2.7
30,711	1.1	Blackrock- BPF- UK Property	25,921	1.0
34,922	1.3	Schroder UK Real Estate	29,270	1.1
39,249	1.5	Standard Life Property	31,429	1.2
31,433	1.2	UBS Triton Property Fund	26,866	1.0
21,908	0.8	Capital Dynamics	20,559	0.8
34,499	1.3	Harbourvest	33,278	1.3
46,920	1.7	Pantheon	55,201	2.1
5,088	0.2	Cash with custodian	5,115	0.2
67,164	2.5	Internally managed (Cash)	82,531	3.0
2,693,117	**100.0**	**Total**	**2,635,408**	**100.00**

13a. Investments exceeding 5% of net assets

The following investments represent more than 5% of the net assets available to pay benefits (in either 2021/22, 2022/23 or both years).

2021/22		Fund Manager	2022/23	
£000	% of net assets		£000	% of net assets
616,030	22.8	BlackRock Low Carbon Tracker Fund	590,795	22.4
216,400	8.0	WPP Credit Fund	198,116	7.5
211,609	7.8	WPP Global Growth	209,723	7.9
530,428	19.7	WPP Global Opportunities	531,513	20.1
243,194	9.0	WPP Government Bond Fund	230,817	8.7
150,309	5.6	WPP Multi Asset Credit Fund	140,935	5.3
232,958	8.6	WPP UK Opportunities	242,488	9.2

14. Financial Instruments

14a. Classification of financial instruments

Value at 31/03/22				Value at 31/03/23		
Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised costs		Fair value through profit and loss	Amortised Cost	Financial liabilities at amortised costs
£000	£000	£000		£000	£000	£000
2,315,931	0	0	Pooled funds	2,255,186	0	0
201,606	0	0	Pooled property trusts	183,538	0	0
103,327	0	0	Private equity	109,038	0	0
0	0	0	Derivatives	0	0	0
0	72,253	0	Cash	0	87,646	0
0	8,427	0	Debtors	0	6,517	0
2,620,864	**80,680**	**0**	**Total financial assets**	**2,547,762**	**94,163**	**0**
0	0	(1,547)	Creditors	0	0	(1,496)
0	**0**	**(1,547)**	**Total financial liabilities**	**0**	**0**	**(1,496)**
2,620,864	**80,680**	**(1,547)**	**Net financial assets**	**2,547,762**	**94,163**	**(1,496)**

14b. Net gains and losses on financial instruments

31/03/22 £000		31/03/23 £000
150,233	Fair value through profit and loss	(110,604)
150,233	**Total financial assets**	**(110,604)**
613	Amortised cost	51
613	**Total financial liabilities**	**51**
150,846	**Net financial assets**	**(110,553)**

14c. Fair Value – Basis of Valuation

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

14d. Fair Value Hierarchy

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

Value at 31/03/23	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value	0	2,255,186	292,576	2,547,762
Amortised Cost	94,163	0	0	94,163
Total financial assets	**94,163**	**2,255,186**	**292,576**	**2,641,925**
Financial liabilities at amortised cost	(1,496)	0	0	(1,496)
Total financial liabilities	**(1,496)**	**0**	**0**	**(1,496)**
Net financial assets	**92,667**	**2,255,186**	**292,576**	**2,640,429**

Value at 31/03/22	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value	0	2,315,931	304,933	2,620,864
Loans and receivables	80,680	0	0	80,680
Total financial assets	**80,680**	**2,315,931**	**304,933**	**2,701,544**
Financial liabilities at amortised cost	(1,547)	0	0	(1,547)
Total financial liabilities	**(1,547)**	**0**	**0**	**(1,547)**
Net financial assets	**79,133**	**2,315,931**	**304,933**	**2,699,997**

Reconciliation of fair value measurements within Level 3

2022/23	Market Value at 31/03/22 £000	Transfers into level 3 £000	Transfers out of level 3 £000	Purchases £000	Sales £000	Unrealised gains/ (losses) £000	Realised gains/ (losses) £000	Market Value at 31/03/23 £000
Private equity	103,327	0	0	15,038	(13,359)	4,032	0	109,038
Pooled property unit trusts	201,606	0	0	2,691	0	(20,759)	0	183,538
Total	**304,933**	**0**	**0**	**17,729**	**(13,359)**	**(16,727)**	**0**	**292,576**

14e. Sensitivity of Assets Valued at Level 3

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

	Assessed valuation range (%)	Value at 31/03/23 £000	Value on increase £000	Value on decrease £000
Private Equity	13.1	109,038	123,322	94,754
Pooled Property Trusts	7.1	183,538	196,569	170,507
Total		**292,576**	**319,891**	**265,261**

15. Nature and extent of risks arising from financial instruments

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

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

The management of risk is a key objective of the Pension Fund. A policy of diversification of its asset classes and investment managers helps the Pension Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures which are put in place in order to manage risk.

Market risk is the risk that the fair value or future cash flows of an institution will fluctuate because of a change in market price.

In order to manage risk, the Fund invests in a diversified pool of assets, split between a number of managers with different performance targets and investment strategies. In order to mitigate risk, the Fund regularly reviews the pension fund investment strategy together with regular monitoring of asset allocation and investment performance.

Interest rate risk is the risk to which the Pension Fund is exposed to fluctuations in interest rates and mainly relates to changes in bonds.

To mitigate the risk and diversify, the Fund holds three fixed income sub funds managed by WPP.

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits:

Asset Type	Carrying Amount as at 31/03/23	Change to the net assets available to pay benefits	
	£000	+ 100bps £000	- 100bps £000
Cash and cash equivalents	87,646	876	(876)
Total	**87,646**	**876**	**(876)**

Asset Type	Carrying Amount as at 31/03/22	Change to the net assets available to pay benefits	
	£000	+ 100bps £000	- 100bps £000
Cash and cash equivalents	72,253	723	(723)
Total	**72,253**	**723**	**(723)**

Currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. Fund managers will also take account of currency risk in their investment decisions.

Following analysis of historical data and consulted with independent investment advisors Pensions and Investments Research Consultants Ltd (PIRC), the fund's aggregate currency change has been calculated as 7.30%. An 7.30% 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 31/03/23	Change to net assets available to pay benefits	
	£000	+ 6.30% £000	+ 6.30% £000
Overseas pooled funds *	2,012,698	126,800	(126,800)
Overseas pooled property	70,052	4,413	(4,413)
Total change in assets available	**2,082,750**	**131,213**	**(131,213)**

Currency exposure – asset type	Asset Value as at 31/03/22	Change to net assets available to pay benefits	
	£000	- 7.30% £000	- 7.30% £000
Overseas pooled funds *	1,473,070	107,534	(107,534)
Overseas pooled property	65,292	4,766	(4,766)
Total change in assets available	**1,538,362**	**112,300**	**(112,300)**

**Changes due to transition to WPP in 2021/22 resulted in reclassification of investments*

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

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

Asset type	Value at 31/03/23 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	242,488	15.00	278,861	206,115
Global Equities	1,332,031	12.70	1,501,199	1,162,863
Emerging Market Equities	110,799	15.30	127,751	93,847
Fixed Interest	569,868	6.20	605,200	534,536
Cash and Cash Equivalents	87,646	1.30	88,785	86,507
Private Equity	109,038	13.10	123,322	94,754
Property	183,538	7.10	196,569	170,507
Total Assets	**2,635,408**		**2,921,687**	**2,349,129**

Asset type	Value at 31/03/22 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	232,958	18.30	275,589	190,327
Global Equities	1,358,067	14.90	1,560,419	1,155,715
Emerging Market Equities	115,003	14.90	132,138	97,868
Fixed Interest	609,903	14.90	700,779	519,027
Cash and Cash Equivalents	72,253	1.30	73,192	71,314
Private Equity	103,327	10.80	114,486	92,168
Property	201,606	4.90	211,485	191,727
Total Assets	**2,693,117**		**3,068,088**	**2,318,146**

**2021/22 figures have been restated in line with 2022/23 presentation, providing a more detailed breakdown.*

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

The Pension Fund's bank account is held with NatWest. Surplus cash is placed with a selection of AAA Money Market institutions. The Fund's internally managed cash holding under its treasury management arrangements is held with the following institutions:

	Fitch Rating	31/03/22 £000	31/03/23 £000
Money market funds			
Aberdeen Standard Liquidity- Sterling Fund	AAA	20,350	28,850
Blackrock ICS Sterling Liquidity Fund	AAA	22,830	26,870
Deutsche Global Liquidity- Sterling Fund	AAA	21,840	26,730
Bank current account			
NatWest	A	2,144	81
Total		**67,164**	**82,531**

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

Liquidity risk represents the possibility that the Fund may not have resources available to meet its financial obligations. The current position of the Fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds' investments are substantially made up of listed securities which are considered readily realisable.

16. Actuarial Present Value of Promised Retirement Benefits

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

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

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

31/03/2019 £000		31/03/2022 £000
3,168,100	Actuarial Present Value of Promised Retirement Benefits	3,893,700
2,177,800	Fair value of net assets	2,698,900

The estimated future Pension Fund liabilities will also be subject to the consideration of the McCloud judgement and GMP equalisation. The impact has been considered by the actuary within the 2022 triennial valuation (see Actuarial Statement on pages 24-26 of this document).

17. Additional Voluntary Contributions (AVC)

Scheme members may elect to make additional voluntary contributions to enhance their pension benefits. Contributions are made directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with section 4(2) b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093). However, as the administering authority, we oversee the following AVC arrangements:

2021/22 £000		2022/23 £000
643	AVC paid in by members during the year	727
6,003	Market Value of separately invested AVC's *	5,082

**2021/22 Market Value of separately invested AVCs included a terminal bonus of £973,000, applied to smooth peaks and troughs in fund performance when returns are paid out.*

18. Contractual Commitments

As of 31 March 2023 the Fund had outstanding private equity commitments of a maximum of £65.536 million (£78.086 million at 31 March 2022) and a new commitment of £10 million for WPP Clean Energy Infrastructure.

19. Securities Lending

At the year end the value of quoted equities on loan was £89.982 million (£94.992 million at 31 March 2022). In 2022/23 the Fund received income of £215,000 from the lending of stock (£203,000 in 2021/22).

20. Provisions and Contingent Liabilities

A number of death grants have been identified where the Fund has been unable to trace the next of kin meaning no payment has been made to date. In all the outstanding cases, there has been difficulty in making contact, meaning that the payments are not likely to be settled within the next financial year. Due to the uncertainty surrounding the timing of these payments and final amounts payable, a provision for £1.140 million has been included in the accounts (£1.115 million in 2021/22), which consists of £490,000 short term (£217,000 in 2021/22), £508,000 long term and £142,000 of estimated interest (£742,000 long term and £156,000 of estimated interest in 2021/22).

The Guaranteed Minimum Pension (GMP) reconciliation is the process used to ensure the scheme records agree with those of the National Insurance Contribution Office (NICO, part of HMRC). This enables a scheme to consider its data as clean and entirely reliable. GMP rectification involves calculating and correcting data (and for pensioners, benefits in payment) for those members where the GMP reconciliation process resulted in a change in the GMP held by the scheme administrator. The GMP reconciliation is currently being progressed and the Fund has appointed Mercer to carry out this exercise, we are therefore unable to provide a reliable estimate of the liability at present.

21. Related Party Transactions

Cardiff Council is the administering authority for Cardiff & Vale of Glamorgan Pension Fund. The Pensions Committee includes members of the Council. At 31 March 2023 there were three members of the Pension Fund Committee that were active members of the Pension Fund. Each member of the Committee is required to declare their interests at each meeting. No other declarations were made during the year.

Examples of related party transactions with the Council are:

- The Council is the largest employer of members of the Pension Fund. All monies owing to and due from the Fund are generally paid in year with the following balances outstanding at year end
    - Intercompany cash balance £776 owed to Cardiff and Vale of Glamorgan Pension Fund included in Note 12 Internal/custodian cash (2021/22 £1.928 million owed to Cardiff Council)
    - Pension strain of £2.231 million included in the Net Asset Statement (2021/22 £2.331 million)
- Cash invested internally by the Council (for working capital purposes) – see Note 13 Summary of manager's portfolio values – Internally managed (Cash) £82.530 million (2021/22 £67.164 million), earning interest of £1.686 million (2021/22 £0.020 million)
- Administration expenses charged to the Fund by the Council are included in Note 10 Management Expenses. During the reporting period, the council incurred costs of £1.053 million (2021/22 £0.950 million) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses.
- Paragraph 3.9.4.4 of the Code of Practice exempts Local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances are detailed in section 3.4 of the Code. Total remuneration for Chris Lee Corporate Director of Resources can be found in the Cardiff Council Statement of Accounts Remuneration Note.

22. Contributing Employers

The employers contributing to the Fund in 2022/2023, highlighting changes since 2021/2022 are detailed below:

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

** Employers that contributed to the Fund in 2021/22 that did not contribute to the Fund in 2022/23.*
*** Employers that contributed to the Fund in 2022/23 that did not contribute to the Fund in 2021/22.*

23. Events after the Reporting Period

There are no events after the reporting period to report.

24. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 26 October 2023 by the Corporate Director Resources. Post balance sheet events have been considered up to this date.

APPENDIX 1

INVESTMENT DATA

20 YEAR INVESTMENT MARKET VALUES

INVESTMENT ASSET ALLOCATION (BY ASSET CLASS)

Year Ended 31 March		2018	2019	2020	2021	2022	2023
UK Equities	**£m**	620.2	641.6	437.1	577.4	233.0	242.5
	%	*30.3*	*29.7*	*21.7*	*23.0*	*8.7*	*9.2*
Overseas Equities	**£m**	633.8	667.5	698.7	1,003.0	1,473.1	1,442.8
	%	30.9	*30.9*	*34.7*	*40.0*	*54.7*	*54.7*
Global Bonds	**£m**	555.6	565.1	586.1	632.9	609.9	569.9
	%	*27.1*	*26.1*	*29.1*	*25.2*	*22.6*	*21.6*
Private Equity	**£m**	79.3	82.2	88.7	90.7	103.3	109.0
	%	3.9	*3.8*	*4.4*	*3.6*	*3.8*	*4.1*
Property	**£m**	134.2	155.9	165.2	166.6	201.6	183.5
	%	*6.5*	*7.2*	*8.2*	*6.6*	*7.5*	*7.0*
Cash	**£m**	26.8	51	38.5	39.6	72.3	87.6
	%	*1.3*	*2.4*	*1.9*	*1.6*	*2.7*	*3.3*
Total Value	**£m**	**2049.9**	**2163.3**	**2014.3**	**2510.2**	**2,693.2**	**2,635.4**
	%	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***	***100.0***

TEN LARGEST HOLDINGS BY MARKET VALUE AS AT 31 MARCH 2023

At 31 March 2023 this Pension Fund no longer held any Directly owned Equities, all its Investments being held in Pooled Funds. The 10 largest Funds are listed in the Table below:

	Country/ Region	Asset Class	Value £m	% of the Fund
POOLED FUNDS				
BlackRock Low Carbon Tracker Indexed	Global	Equity	590.8	22.4
WPP Global Opportunities	Global	Equity	531.5	19.7
WPP UK Opportunities	UK	Equity	242.5	9.2
WPP Global Government Bonds	Global	Fixed Income	230.8	8.8
WPP Global Growth	Global	Equity	209.7	8.0
WPP Global Credit	Global	Fixed Income	198.1	7.5
WPP Multi Asset Credit	Global	Fixed Income	140.9	5.3
WPP Emerging Markets	Global	Equity	110.8	4.2
Cash	n/a	Cash	87.6	3.3
CBRE	Global	Property	70.1	2.7

APPENDIX 2

FUNDING STRATEGY STATEMENT (FSS2022)

Overview

This Statement has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations). It describes City and County of Cardiff's strategy, in its capacity as Administering Authority (the Administering Authority), for the funding of the Cardiff and Vale of Glamorgan Pension Fund (the Fund).

As required by Regulation 58(4)(a), the Statement has been reviewed (and where appropriate revised) having regard to guidance published by CIPFA in September 2016. In addition, the Administering Authority has had regard to the supplementary statutory guidance issued by MHCLG (now DLUHC): Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements, and has also considered the Scheme Advisory Board's Guide to Employer Flexibilities.

Consultation

In accordance with Regulation 58(3), all appropriate persons (including Fund employers) have been consulted on the contents of this Statement and their views have been considered in formulating it. However, the Statement describes a single strategy for the Fund as a whole.

The Fund Actuary, Aon Solutions UK Limited, has also been consulted on the content of this Statement.

In addition, the Administering Authority has had regard to the Fund's Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Investment Regulations).

Purpose of this Statement

The purposes of this Funding Strategy Statement are to set out the processes by which the Administering Authority:

- Establishes a clear and transparent funding strategy, specific to the Fund, to meet employer's pension liabilities going forward.
- Aims to meet the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary contribution rate as possible.
- Ensures the regulatory requirement to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met.
- Takes a prudent longer-term view of funding the Fund's liabilities.

noting that whilst the funding strategy applicable to individual employers or categories of employers must be reflected in the Funding Strategy Statement its focus should at all times be on those actions which are in the best long term interests of the Fund.

Well-being of Future Generations (Wales) Act 2015

The Well-being of Future Generations (Wales) Act 2015 requires each public body (including local authorities) in Wales to act "in accordance with the sustainable development principle". This means acting in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. The obligations under the Act of Cardiff Council, Vale of Glamorgan Council and the other scheme employers to which the Act applies have been recognised in this statement by giving priority to the long-term cost efficiency of the Fund.

Link to investment policy set out in the Investment Strategy Statement

The Investment Strategy Statement (ISS) is a statement of the principles governing the Fund's investment decisions. Among other things, it covers policy on the types of investments to be held, the balance between different types of investments, risk and the expected return on investments.

In keeping with the contents of this Statement, the ISS states that the policy of the Fund is to ensure that all payments made are at minimal cost to employing bodies. The investment objective is to maximise returns and minimise or at least stabilise employer contributions over the long term within an acceptable level of risk.

The Administering Authority has produced this Statement having taken an overall view of the level of risk inherent in the investment policy set out in the ISS and the funding strategy set out in this Statement. The assets that most closely match the cashflows of the Fund are fixed interest and index-linked Government bonds of appropriate term relative to the liabilities. The Fund's asset allocation as set out in the ISS invests a significant proportion of the Fund in assets such as equities which are expected, but not guaranteed, to produce higher returns than Government bonds in the long term. The Administering Authority has agreed with the Fund Actuary that the Funding Target on the ongoing basis will be set after making some allowance for this higher anticipated return. However, the Administering Authority recognises that outperformance is not guaranteed and that, in the absence of any other effects, if the higher expected returns are not achieved, the solvency position of the Fund may deteriorate, particularly where the liabilities are being measured by reference to prevailing gilt yields, as is the case for orphan liabilities

The investment returns required to meet the funding strategy are compatible with the investment policy set out in the ISS.

An Investment Advisory Panel reviews overall Fund risk. Priority is given to strategic asset allocation based on consideration of the full range of investment opportunities, and having regard to the diversification and suitability of investments. Within individual asset classes the Panel has adopted a specialist structure with a mixture of management approaches. Managers have clear targets and maximum accountability for performance.
The Fund's solvency objective is thus embedded in its strategic asset allocation policy and linked directly to the ISS, and the risks of different strategies. The Administering Authority has produced this Statement having taken an overall view of the level of risk inherent in the investment policy set out in the ISS and the funding strategy set out in this Statement.

The funding strategy recognises the investment targets and the inherent volatility arising from the investment strategy, by being based on financial assumptions which are consistent with the expected return on the investments held by the Fund, and by including measures that can be used to smooth out the impact of such volatility.

The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate including, where appropriate, commissioning asset liability modelling or other analysis techniques.

Review of this Statement

The Administering Authority undertook its latest substantive review of this Statement in November 2022.

The Administering Authority plans to formally review this Statement as part of each triennial valuation of the Fund unless circumstances arise which require earlier action.

The Administering Authority will monitor the funding position of the Fund on an approximate basis at regular intervals between actuarial valuations and will discuss with the Fund Actuary whether any significant changes have arisen that require action.

Aims and Purpose of the Fund

The main aims of the Fund in relation to the funding strategy are:

1. To manage employers' liabilities effectively

The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by:

- seeking regular actuarial advice
- ensuring that employers are properly informed and consulted
- through regular monitoring of the funding position and the outlook for employers' contributions, and
- appropriate segregation of employers for funding purposes.

2. To ensure that sufficient resources are available to meet all liabilities as they fall due

The Administering Authority recognises the need to ensure that the Fund has, at all times, sufficient liquid assets to be able to pay pensions, transfer values, costs, charges and other expenses. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position monthly to ensure that all cash requirements can be met.

3. Enable primary contribution rates to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the Administering Authority and employers alike.

Producing low volatility in employer contribution rates may require investment in assets which 'match' the employer's liabilities. In this context, 'match' means assets which behave in a similar manner to the liabilities as economic conditions alter. For the liabilities represented by benefits payable by the Local Government Pension Scheme, such assets would tend to comprise fixed interest and index linked gilt edged investments, where the liabilities are being measured by reference to prevailing gilt yields as is the case for orphan liabilities.

Other classes of assets, such as shares and property, are perceived to offer higher long term rates of return, on average, and consistent with the aim to seek returns from investments within reasonable risk parameters, the Administering Authority invests a substantial proportion of the Fund in such assets. However, these assets are more risky in nature, and that risk can manifest itself in volatile returns over short term periods, and a failure to deliver the anticipated returns in the long term.
This short term volatility in returns can produce volatility in the measured funding position of the Fund at successive actuarial valuations, with knock on effects on employer contribution rates. The impact on employer rates can be mitigated by use of smoothing adjustments at each valuation.

The Administering Authority recognises that there is a balance to be struck between the investment policy adopted, the smoothing mechanisms used at valuations, and the resultant stability of employer contribution rates from one valuation period to the next.

The Administering Authority also recognises that the position would be potentially more volatile for Admission Bodies with short term contracts where utilisation of smoothing mechanisms is less appropriate.

4. To seek returns from investments within reasonable risk parameters

The Administering Authority recognises the desirability of seeking investment returns within reasonable risk parameters through investment in unmatched investments. Investment returns higher than those available on Government stocks are sought through investment in other asset classes such as equities and property. The Administering Authority ensures that risk parameters are reasonable by:

- restricting investment to the levels permitted by the Investment Regulations
- limiting default risk by restricting investment to asset classes generally recognised as appropriate for UK pension funds
- analysing the volatility and absolute return risks represented by those asset classes in collaboration with the Investment Adviser and Fund Managers, and ensuring that they remain consistent with the risk and return profiles anticipated in the funding strategy
- limiting concentration risk by developing a diversified investment strategy, and
- monitoring the mis-matching risk: that the investments do not move in line with the Fund's liabilities.

Purpose of the Fund

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Responsibilities of the key parties

The three parties whose responsibilities to the Fund are of particular relevance are the Administering Authority, the individual employers and the Fund Actuary.

Their key responsibilities are as follows:

Administering Authority

The Administering Authority's key responsibilities are:

1. *To operate a pension fund.*

2. *To collect investment income and other amounts due to the Fund as set out in the Regulations including employer and employee contributions and, as far as the Administering Authority is able to, ensure these contributions are paid by the due date.*

Individual employers must pay contributions in accordance with Regulations 67 to 71. The Administering Authority will ensure that all employers are aware of these requirements and also the requirements of the Pensions Act 1995.

The Administering Authority will monitor the receipt of contributions to ensure they are received in accordance with agreed arrangements. The Administering Authority also has an absolute discretion on the timing of payments relating to bulk transfers or early retirements. Where employers are not adhering to any arrangements this will be brought to their attention. Outstanding contributions or other monies not received by due date may be charged interest in accordance with the Regulations at Base Rate + 1%.

The Administering Authority will ensure, where appropriate, that action is taken to recover assets from Admission Bodies whose Admission Agreement has ceased (and from other employers whose participation in the Fund has ceased) by

- requesting that the Fund Actuary calculates any deficiency or surplus at the date of exit from the Fund
- notifying the body that it must meet any deficiency at exit and determine any exit credit to be paid to the exiting employer. The Administering Authority's policy is set out later in this Statement.

3. *Invest surplus monies in accordance with the Regulations.*
   The Administering Authority will comply with the Investment Regulations.

4. *Pay from the Fund the relevant entitlements as set out by the Regulations.*

5. *Ensure that cash is available to meet liabilities as and when they fall due.*
   The Administering Authority discharges this duty in the manner set out in the Aims of the Fund above.

6. *Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default.*

7. *Manage the valuation process in consultation with the Fund Actuary*
   The Administering Authority ensures it communicates effectively with the Fund Actuary to:

- agree timescales for the provision of information and of valuation results

- ensure provision of data of suitable accuracy
- ensure that the Fund Actuary is clear about the content of the Funding Strategy Statement
- ensure that participating employers receive appropriate communication throughout the process
- ensure that reports are made available as required by relevant Guidance and Regulations

8. *Prepare and maintain an ISS and a Funding Strategy Statement after due consultation with interested parties.*
   The Administering Authority will ensure that both documents are prepared and maintained in the required manner.

9. *Monitor all aspects of the Fund's performance and funding, and amend these two documents if required.*
   The Administering Authority monitors investment performance and the funding position of the Fund quarterly. The ISS will be formally reviewed annually, and the Funding Strategy Statement every three years, as part of the valuation cycle, unless circumstances dictate earlier amendment.

10. *Effectively manage any potential conflicts of interest arising from its dual role as both Administering Authority and as a Scheme Employer.*

11. *Enable the local pension board to review the valuation process as set out in their terms of reference.*

12. *Ensure consistent use of policies relating to revising employer contributions between formal actuarial valuations, entering into deferred debt agreements and spreading exit payments and ensure the process of applying those policies is clear and transparent to all fund employers.*

Individual Employers

The individual employers will:

- Deduct contributions from employees' pay
- Pay all ongoing members' and employer's contributions (both percentage of pay and monetary shortfall recovery contributions which are due) as determined by the Fund Actuary, promptly by the 19th day of the month
- Develop a policy on certain discretions and exercise discretions within the regulatory framework, ensuring that the Administering Authority has copies of current policies covering those discretions
- Pay for additional membership or pension, augmentation, early release of benefits or other one off strain costs in accordance with agreed arrangements
- Notify the Administering Authority promptly of all changes to membership, or other changes which affect future funding
- Note and if desired respond to any consultation regarding the Funding Strategy Statement, the ISS, or other policies
- Pay any exit payments on ceasing participation in the Fund

The Fund Actuary

The Fund Actuary will prepare advice and calculations and provide advice on:

- Funding strategy and the preparation of the Funding Strategy Statement and will prepare actuarial valuations, including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency and issue of a Rates and Adjustments Certificate, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement

costs, compensatory added years cost, etc.

- Assist the Administering Authority in assessing whether employer contributions need to be revised between valuation as permitted or required by the Regulations, in particular in relation to any review of contributions between triennial valuations under Regulation 64A
- Provide advice and valuations on the exiting of employers from the Fund.
- Provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- Provide reviews in relation to any decision by the Administering Authority to put in place a deferred debt agreement under Regulation 64(7B) or spread an exit payment under Regulation 64B
- Ensure that the Administering Authority is aware of any professional guidance or other professional requirements that may be of relevance to his or her role in advising the Fund.

Such advice will take account of the funding position and Funding Strategy Statement, as well as other relevant matters when instructed to do so.

Funding Strategy

Risk based approach

The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives. In practice, three key decisions are required for the risk based approach:

- what the Solvency Target should be (the funding objective- where the Administering Authority wants the Fund to get to),
- the Trajectory Period (how quickly the Administering Authority wants the Fund wants to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the discount rate (investment return assumption) to be adopted and, , by extension, the appropriate employer contributions payable. Together they measure the riskiness of the funding strategy.

Further details of these three terms are set out in Appendix 1.

Application to different types of body

Some comments on the principles used to derive the Solvency and Funding Targets for different bodies in the Fund are set out below.

- **Scheduled Bodies and certain other bodies of sound covenant**
  The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for Scheduled Bodies and certain other bodies which are long term in nature.
- **Admission Bodies and certain other bodies whose participation is limited**
  For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit the Administering Authority will have specific regard to the potential for participation to cease (or to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or whether a guarantor exists to subsume the notional assets and liabilities).

Recovery Periods

Where a valuation reveals that the Fund is in surplus or deficiency against the Funding Target, employers' contributions will be adjusted to target restoration of full funding over a period of years.

The Recovery Period applicable for each employer is set by the Fund Actuary in consultation with the Administering Authority and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.

The Administering Authority recognises that a large proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, the Administering Authority is prepared to agree to Recovery Periods longer than the average future working lifetime of the membership of that employer. The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long Recovery Periods and has agreed with the Fund Actuary a limit of 20 years for employers which are assessed by the Administering Authority as being a long term secure employer.

The Administering Authority's policy is to agree Recovery Periods to recover any deficit with each employer which are typically shorter where possible within this framework. For employers whose participation in the Fund is for a fixed period it is unlikely that the Administering Authority and Fund Actuary would agree to a Recovery Period longer than the remaining term of participation.

For any employers that have entered into a deferred debt agreement, the recovery period will generally be set equal to the remaining period of the deferred debt agreement.

Removal of surplus
Consistent with a desire to keep employer contribution rates as nearly constant as possible, the removal of surplus shall not generally apply to any employer at a funding level of between 100% and 110%. Those employers will generally be required to pay the primary rate (i.e. the future service rate) in full, without any adjustment for a surplus.

In respect of any employer with a funding level above 110%, the removal of surplus shall generally only apply to any surplus above the 110% funding level.

The period over which any surplus is removed will generally be set in line with the Recovery Periods section above.

Stepping
Consistent with a desire to keep employer contribution rates as nearly constant as possible, the Administering Authority will consider, at each valuation, whether new contribution rates should be payable immediately, or reached by a series of steps over future years (this could be an increase or decrease in employer contribution rates). The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach, and will examine the financial impact and risks associated with each employer. The Administering Authority's policy is that in the normal course of events no more than three equal annual steps (i.e. the valuation period) will be permitted. Further steps may be permitted in extreme cases, but the total number of steps is unlikely to exceed six steps.

Grouping or Pooling
In some circumstances it may be desirable to group or pool employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include:

- reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund, or
- small outsourcings which have been undertaken on a pass-through approach where it makes sense for the service provider / contractor to be given either the same contribution rate as the outsourcing body or the fixed contribution rate agreed contractually, or
- employers have been grouped for practical or commercial reasons.

The Administering Authority recognises that grouping of employers can give rise to cross subsidies from one employer to another over time. The Administering Authority's policy is to consider the position carefully at each valuation and to notify each employer that is grouped that this is the case, and which other employers it is grouped with. If the employer objects, it will be set its own contribution rate. For employers with more than 50 contributing members, the Administering Authority would look for evidence of homogeneity between employers before considering grouping. For employers whose participation is for a fixed period (e.g. certain admission bodies) grouping is unlikely to be permitted.

Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared.

Where employers are grouped together entirely for funding purposes, this will only occur with the consent of the employers involved.

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum and dependants' pension benefits on death in service and for benefits payable in ill health retirement – in other words, the cost of such benefits is shared across all the employers in the Fund. Such benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

There are two main groups of small employers in the Fund pooled together for funding and contribution purposes.

1. The Town and Community Councils Group. Currently all the employers within the group pay the same percentage of pay contribution rate.

2. The Colleges Group. Currently the employers participating within the group pay a common primary (future service) contribution rate and a deficit contribution amount equal to a proportion of the group's total monetary deficit contributions. If the Colleges Group is assessed to have a surplus the employers participating within the group will pay the same percentage of pay contribution rate, allowing for the removal of any surplus as appropriate.

- In addition, there are a number of service providers or other employers pooled with either Cardiff Council or Vale of Glamorgan Council for contractual or commercial reasons.

Full details of the groups / pools, the participants at the date of writing this Statement and the way they operate is set out in Appendix 3.

Inter-valuation funding calculations
In order to monitor developments, the Administering Authority may from time to time request informal valuations or other calculations. Generally, in such cases the calculations will be based on an approximate roll forward of asset and liability values, and liabilities calculated by reference to assumptions consistent with the most recent preceding valuation. Specifically, it is unlikely that the liabilities would be calculated using individual membership data, and nor would the assumptions be subject to review as occurs at formal triennial valuations.

Notional Sub-Funds for individual employers
In order to establish contribution rates for individual employers or groups of employers it is convenient to notionally subdivide the Fund as a whole between the employers, as if each employer had its own notional sub-fund within the Fund.

This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

Details of how the sub-funds are rolled forward are set out in Appendix 2.

Fund maturity

To protect the Fund, and individual employers, from the risk of increasing maturity and declining payrolls producing unacceptably volatile contribution adjustments as a percentage of pay the Administering Authority will normally require monetary contributions from employers in respect of any disclosed funding deficiency.

In certain circumstances, for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficiency may be set as a percentage of payroll but may have regard for assumed projected payroll provided by the employer. Such an approach carries an implicit assumption that the employer's payroll will increase at an assumed rate. If payroll fails to grow at this rate, or declines, insufficient corrective action will have been taken. To protect the Fund against this risk, the Administering Authority will monitor payrolls and where evidence is revealed of payrolls not increasing at the anticipated rate, the Administering Authority will consider requiring monetary contributions rather than percentages of payroll.

Where an employer is assessed to be in surplus and contributions are to be set below the cost of future accrual this will be implemented via a reduction in the percentage of pensionable pay rate rather than via a negative monetary amount (subject to a minimum overall contribution rate of zero).

Special Circumstances related to certain employers

Interim reviews

As part of each actuarial valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64(4) and 64A. Further details of the Administering Authority's policy in relation to reviewing contributions is set out in Appendix 4.

Guarantors

Some employers may participate in the Fund by virtue of the existence of a Guarantor. The Administering Authority maintains a list of employers and their associated Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a Guarantor to include the following:

- If an employer exits the Fund and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.
- During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer. The effect of that action would be to reduce the Funding and Solvency Targets for the employer, which would probably lead to reduced contribution requirements.

Bonds and other securitization
Schedule 2 Part 3 Para. 6 of the Regulations creates a requirement for a new admission body to carry out to the satisfaction of the Administering Authority (and the Scheme Employer in the case of a body admitted under Schedule 2 Part 3 Para. 1(d)(i) of the Regulations) an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

Where the level of risk identified by the assessment is such as to require it the admission body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an admission body to enter into an indemnity or bond, the body is required to secure a guarantee in a form satisfactory to the Administering Authority from an organisation who either funds, owns or controls the functions of the admission body.

The Administering Authority's approach in this area is as follows:

- In the case of admission bodies admitted under Schedule 2 Part 3 Para. 1(d) of the Regulations and other admission bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer on default of the admission body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond. The Administering Authority will supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer, but this should not be construed as advice to the relevant Scheme Employer on this matter.

- In the case of admission bodies admitted under Schedule 2 Part 3 Para 1(e) of the Regulations, or under Para 1(d) where the Administering Authority does not judge the relevant Scheme Employer to be of sufficiently strong covenant, and other Admission Bodies with no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. The Administering Authority will supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer form a view on what level of bond would be satisfactory. The Administering Authority will also on request supply this to the Admission Body or Guarantor. This should not be construed as advice to the Scheme Employer, Guarantor or Admission Body.

- The Administering Authority notes that levels of required bond cover can fluctuate and will review, or recommends the Scheme Employer reviews, the required cover at least once a year.

Subsumed liabilities
Where an employer is exiting the Fund, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally this will mean assuming continued investment in more risky investments than Government bonds.

Orphan liabilities
Where an employer is exiting the Fund, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government bonds.

To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the employer's notional assets.

Exit of an employer from the Fund
Where an employer exits the Fund, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the exit valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target in the exit valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position revealed in the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required.

The Administering Authority's policy is that in the normal course of events any deficiency that exists at exit of an admission body will be payable immediately as a single payment. In certain cases, the Administering Authority may be prepared to agree payment over a period of time as permitted under Regulation 64B. The Administering Authority's policy in relation to spreading of exit debt is set out in Appendix 5. For employers that exit the Fund on or after 1 April 2019 the Administering Authority will include an approximate allowance in the exiting employer's liabilities for potential additional liabilities arising from the McCloud judgement and cost management process and for the potential costs of GMP equalisation / indexation. In determining this allowance, the Administering Authority will have regard to any relevant guidance prepared by the Scheme Advisory Board and the advice of the Fund Actuary. It will be kept under regular review as further information on the McCloud judgement / Cost Management process and GMP equalisation / indexation becomes available.

Exit Credits
Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and an exit credit is due to be paid to the exiting employer, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the

employer within 6 months of the exit date. Where the employer has not provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit within 2 months of the exit date, the employer will be deemed to have agreed that the 6 month period should run from the date all the necessary data has been provided.

In determining the amount of any exit credit payable the Administering Authority will take the following factors into consideration:

(a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus);
(b) the proportion of the surplus which has arisen because of the value of the employer's contributions;
(c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8) (a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations; and
(d) any other relevant factors, which include any legal, actuarial or other costs incurred by the Administering Authority in relation to the exit, the circumstances in which any subsumption commitment was granted, and any risk sharing arrangements in place. It should be noted that this is not an exhaustive list.

In particular the Administering Authority will not generally pay an exit credit larger than the total of the exiting employer's contributions paid into the Fund, less any costs incurred by the Administering Authority in relation to the exit.

Identification of risks and counter measures

Approach

The Administering Authority seeks to identify all risks to the Fund and to consider the position both in aggregate and at an individual risk level. The Administering Authority will monitor the risks to the Fund, and will take appropriate action to limit the impact of these wherever possible. The main risks to the Fund are:

Investment risk

This covers items such as the performance of financial markets and the Fund's investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The Administering Authority reviews each investment manager's performance quarterly and annually considers the asset allocation of the Fund by carrying out an annual review meeting with its Investment Advisors, Fund Managers and Fund Actuary. The Administering Authority also annually reviews the effect of market movements on the Fund's overall funding position.

Climate Risk

The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority keeps the effect of climate change on future investment returns under review and will commission advice from the Fund Actuary on the potential effect on funding as required.

At the 2022 valuation the Fund Actuary will undertake scenario analysis to assess the resilience of the funding strategy to climate change risk over an agreed period.

Employer risk

These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Fund.

The Administering Authority will put in place a Funding Strategy Statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer (e.g. scheduled and admission bodies) and other pension fund stakeholders.

The Administering Authority monitors employer payments and expects employers to engage with the Fund where their circumstances have changed, noting that contributions can be reviewed between formal valuations if the conditions in Regulations 64A and the terms of the Administering Authority's policy as set out in Appendix 4 are met.

The Administering Authority will maintain a knowledge base on employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and will use this information to inform the Funding Strategy Statement.

Liability risk

The main risks include interest rates, pay and price inflation, life expectancy, changing retirement patterns and other demographic risks. The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund Actuary any changes necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

If significant liability changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether any bonds in place for Admission Bodies require review.

Where it appears likely to the Administering Authority that for an employer the amount of the liabilities arising or likely to arise has changed significantly since the last valuation, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A in line with the Administering Authority's policy as set out in Appendix 4.

Regulatory risk
The risks relate to changes to general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules.

The Administering Authority will keep abreast of all proposed changes. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify Employers of the possible impact and the timing of any change.

There are a number of uncertainties associated with the benefit structure at the current time including:

- The timing and detail of any regulations in relation to the remedy to compensate members for illegal age discrimination following the outcome of the McCloud/ Sargeant cases.
- The outcome of the cost management process as at 31 March 2020.
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

In determining how these uncertainties should be allowed for in employer contributions the Administering Authority will have regard to guidance issued by the SAB, taking account of the Fund Actuary's advice.

For the purposes of the 2022 valuation, an approximate employer specific allowance will be made in respect of the McCloud remedy based upon a high-level analysis of the employer's fund membership. Members' benefits will be valued as required by relevant legislation as in force as at 31 March 2022, except for the following assumptions:

- It will be assumed that the current underpin (which only applies to those members within 10 years of their Normal Pension Age at 31 March 2012) will be revised and apply to all members who were active in the scheme on or before 31 March 2012 and who join the 2014 Scheme without a disqualifying service gap.
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner).
- Where a member remains in active service beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (whichever is sooner).
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
- The underpin will consider when members take their benefits, so they can be assured they are getting the higher benefit.

For new employers commencing participation in the Fund after 1 April 2022, the Administering Authority will generally adopt a consistent approach to that adopted for the 2022 valuation of the Fund.

In addition, a consultation document was issued by MHCLG (now DLUHC) entitled "Local Government Pension Scheme: Changes to the

Local Valuation Cycle and the Management of Employer Risk" dated May 2019. This included a proposal to change the LGPS local fund valuations to quadrennial cycles. The Administering Authority will have regard to any changes in the Regulations as a result of this consultation and consider any actions required at future actuarial valuations, taking account of the Fund Actuary's advice.

Liquidity and maturity risk

The LGPS is going through a series of changes, each of which will impact upon the maturity profile of the LGPS and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery may result in the following:

- active members leaving the LGPS
- transfer of responsibility between different public sector bodies
- scheme changes which might lead to increased opt-outs
- spending cuts and their implications

All of these may result in workforce reductions that would reduce membership, reduce contributions and prematurely increase retirements in ways that may not been taken into account in previous forecasts.

The Administering Authority's policy is to require regular communication between itself and employers and to ensure reviews of maturity at overall Fund and employer level where material issues are identified.

Governance risk

This covers the risk of unexpected structural changes in Fund membership (for example the closure of an employer to new entrants or the large scale withdrawal or retirement of groups of staff), and the related risk of the Administering Authority not being made aware of such changes in a timely manner.

The policy is to require regular communication between the Administering Authority and employers and to ensure regular reviews of such items as bond arrangements, financial standing of non-tax raising employers and funding levels.

Christopher Lee
Corporate Director Resources

November 2022

Appendix 1: Method and assumptions used in calculating the funding target

Solvency Target

The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions.

The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

For Scheduled Bodies, and certain other bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following the exit of the employer from the Fund, the Solvency Target is set at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period, based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pension accounts (CPI).

For certain Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit from the Fund the Solvency Target will be set by considering the valuation basis which would be adopted should the employer leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in an appropriate portfolio of UK Government bonds after the employer has exited the Fund.

For any employers that have entered into a deferred debt agreement it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the deferred debt agreement ends. For most such bodies, to minimise the risk to other employers in the Fund, the notional assets related to these liabilities may be assumed to be invested in low risk investments, such as UK Government bonds.

Probability of Funding Success

The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.

The Administering Authority will not permit contributions to be set following a valuation that have an unacceptably low chance of achieving the Solvency Target at the end of the relevant Trajectory Period.

Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including future service contributions and any adjustment for surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below).

Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible:

- Contribution rates are set by use of the Projected Unit valuation method for most

employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.
- For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

Full Funding and Solvency
The Fund is deemed to be fully funded when the assets held are equal to 100% of the Funding Target. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficiency.

The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target.

Trajectory Periods
The Trajectory Period in relation to an employer is the period between the valuation date and the date on which solvency is targeted to be achieved.

Appendix 2: Notional Sub-Funds for individual employers

Roll-forward of sub-funds
The notional sub-fund allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below. In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.
- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the cash equivalent transfer value based on appropriate factors set by the Government Actuary's Department.
- Allowance for lump sum death in service and other benefits shared across all employers in the Fund (see earlier)
- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is of low materiality, estimated cashflows will be used
- Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, the Fund Actuary will instead use an analysis of gains and losses to roll forward the notional sub-fund. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficiency exhibited at the

previous valuation. Having established an expected surplus or deficiency at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset holding.

- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers.

Attribution of investment income

Where the Administering Authority has agreed with an employer that it will have a tailored asset portfolio notionally allocated to it, the assets notionally allocated to that employer will be credited with a rate of return appropriate to the agreed notional asset portfolio.

Where the employer has not been allocated a tailored notional portfolio of assets, the assets notionally allocated to that employer will be credited with the rate of return earned by the Fund assets as a whole, adjusted for any return credited to those employers for whom a tailored notional asset portfolio exists.

Appendix 3: Groups / Pooling

Town and Community Councils Group

The active participants of the Group, at the date of writing this Statement, are:

- Cowbridge Town Council
- Llantwit Major Town Council
- Penarth Town Council
- Barry Town Council
- Radyr & Morganstown Community Council
- Lisvane Community Council
- Wenvoe Community Council
- Penllyn Community Council
- Pentyrch Community Council
- St Fagans Community Council

In addition, there are liabilities related to the following bodies which currently have no active members. These liabilities remain part of the liabilities of the group:

- Barry Memorial Hall
- Dinas Powys Community Council
- Sully Community Council

Currently the active participants of the group pay the same percentage of pay contribution rate which includes a contribution towards the deficiency or surplus of the group.

If a Town or Community Council has no contributing members it will become an exiting employer under Regulation 64(1) unless a suspension notice has been issued (a suspension notice can be issued for a period of up to three years if there is a reasonable likelihood an active member will join the Fund within the suspension period (Regulations 64(2A) to 64(2C)).

Given the liabilities are generally small the Administering Authority will not expect an exiting employer to make an exit payment or receive any exit credit unless the exiting employer has a material impact on other employers in the Group. The assets and liabilities relating to the exiting employer will remain part of the Group.

Similarly, there will not be an expectation that an employer with a suspension notice will make any contributions during the suspension period unless it has a material impact on other employers in the Group.

Colleges Group

The active participants, at the date of writing this Statement, are:

- St David Catholic College
- Cardiff and Vale College (including former liabilities relating to Coleg Glan Hafren and Barry College)
- Cardiff Metropolitan University (including former liabilities relating to University of Wales Institute, Cardiff)

The contribution rate is a common primary (future service) contribution rate and a contribution to the group's deficiency expressed as a monetary amount (generally calculated in proportion to the employer's payroll at the valuation date but another approach could be used in the future if the Administering Authority felt it was appropriate). If the Colleges Group is assessed to have a surplus the employers participating within the group will pay the same percentage of pay contribution rate, allowing for the removal of any surplus as appropriate.

If a College or University has no contributing members it will become an exiting employer under Regulation 64(1) unless a suspension notice has been issued (a suspension notice can be issued for a period of up to three years if there is a reasonable likelihood an active member will join the Fund within the suspension period (Regulations 64(2A) to 64(2C)).

An exit valuation will be calculated for an exiting employer based on its share of the group's assets (as determined by the Administering Authority based on advice provided by the Fund Actuary).

Cardiff Council Pooling Group
The Cardiff Council Group, at the date of writing this Statement, contains liabilities in respect of:

- Current and former employees of Cardiff Council
- Former employees of:
    - Cardiff Corporation
    - Cardiff City Council and
    - South Glamorgan County Council (72.37% only)
- Employers who have been pooled with Cardiff Council as a result of, or subsumed following cessation of, outsourcing of services or restructuring exercises:
- Cardiff City Transport Services Ltd (Cardiff Bus)
- Race Equality First
- Cardiff & Co
- App Cleaning Limited (St Teilo's School)
- Greenwich Leisure Limited (GLL)
- A&R Cleaning (Lansdowne School)
- Grangetown Prim Cleaning (App)
- Circle IT (Eastern High School)
- Glen Cleaning (Eastern High School)
- A&R Cleaning (Gabalfa Primary School)
- A&R Cleaning (Greenway Primary School)
- A&R Cleaning (Trowbridge Primary School)
- A&R Cleaning (Whitchurch Primary School)
- Cardiff Institute for the Blind
- Cardiff Gypsy & Traveller Project
- Supacleen Ltd
- New Theatre Cardiff Limited

Vale of Glamorgan Council Pooling Group
The Vale of Glamorgan Council Group, at the date of writing this Statement, contains liabilities in respect of:

- Current and former employees of Vale of Glamorgan Council
- Former employees of South Glamorgan County Council (27.63% only)
- Employers who have been pooled with Vale of Glamorgan Council as a result of, or subsumed following cessation of, outsourcing of services or restructuring exercises:
    - St Cyres School
    - National Trust
    - Glen Cleaning Barry Comp
    - Glen Cleaning (Llandough Primary)
    - Circle IT (Cowbridge)
    - Glen Cleaning (Gladstone Primary School)
    - A&R Cleaning (High Street School Barry)

Appendix 4: Policy on reviewing employer contributions between triennial actuarial valuations

The Regulations require a triennial actuarial valuation of the Fund. As part of each actuarial valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64(4) and 64A.

The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme;
- it appears likely to the Administering Authority the Scheme employer will become an exiting employer; or
- the Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

For the avoidance of doubt, the Administering Authority will not consider a review of contributions under Regulation 64A purely on the grounds of a change in market conditions affecting the value of assets and/or liabilities. In determining whether or not a review should take place under Regulation 64A, the Administering Authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example due to the restructuring of an employer, a significant outsourcing or transfer of staff, the loss of a significant contract, closure to new entrants, material redundancies, significant pay awards, or other significant changes to the membership due to ill-health retirements or voluntary withdrawals;
- the materiality of any change in the employer's membership or liabilities, taking account of the Fund Actuary's view of how this might affect its funding position, primary or secondary contribution rate;
- whether, having taken advice from the Fund Actuary, the Administering Authority believes a change in funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, risk-sharing arrangement, or other form of indemnity in relation to the employer's liabilities in the Fund;
- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser to the Fund;
- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pension Administration Strategy and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time.

For an employer where contributions may be reviewed under Regulation 64(4), the following circumstances may trigger a review, which may be informal as well as a full interim valuation (this is not intended to be a comprehensive list):

- a review has been requested by the relevant guarantor or subsuming employer, or for transferee and Schedule 2 Part 3 (1)(d) admission bodies, the relevant scheme employer;
- a material change in circumstances, such as the date of exit becoming known, the employer closing the scheme to new entrants, material membership movements or material financial information coming to light.

For an employer whose participation is expected to cease within the next 3 years, the Administering Authority will monitor developments and may request an interim valuation at any time.

Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) or 64A applies which may lead to a revised contribution schedule for the employer.

Where contributions are being reviewed for an employer with links to another employer in the Fund, particularly where this is a formal organisational or contractual link, e.g. a formal guarantee, subsumption commitment or risk sharing arrangement is in place, the Administering Authority will consider the potential risk and impact of the contribution review on those other employer(s), taking advice from the Fund actuary as required.

Where, following representations from the employer, the Administering Authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the Administering Authority will consult with any related employers with a view to seeking their agreement to this approach.

In many cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

In any event, in all cases the Administering Authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related employer in the Fund and the proximity to the next formal valuation.

The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the Administering Authority will also consider the timing of contribution changes following the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12 month period from the valuation date although if there were any material changes to the expected amount of liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate as part of the valuation.

Where the request for a review comes from the employer, before submitting their request, the employer should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should contact the Administering Authority and complete the necessary information requirements for submission to the Administering Authority in support of their application.

The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/ evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. In addition, employers should adhere to the notifiable events framework as set out in the Pension Administration Strategy. Employers should be aware that all advisory fees, including actuarial, legal and any other costs incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

Appendix 5: Policy on spreading of exit payments and deferred debt agreements

Spreading of exit payments

The starting position of the Administering Authority is that an exiting employer will be required to meet any exit liability owed as a single lump sum payment. However, the Administering Authority may allow phased exit payments as permitted under Regulation 64B.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage with the employer to consider its application and determine whether spreading the exit payment is appropriate and the terms which should apply.

In determining whether to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be up to 3 years but longer periods may be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that this may not be possible until after the employer has exited the Fund. Where there is a guarantor or subsuming employer, the guarantor/subsuming employer will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level annual amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Alternatively, monthly payments may be required, or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period, the annual payments due, any other costs payable including actuarial and legal costs and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision.

The Administering Authority will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the Administering Authority during the spreading period and adhere to the notifiable events framework as set out in the Pension Administration Strategy. If the Administering Authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The Administering Authority will seek actuarial advice in relation to whether there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

Deferred debt agreements (DDAs)
Under Regulation 64(7A) of the Regulations, an administering authority may enter into a written agreement with an exiting employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate.

The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64(7A) is set out below.

In determining whether or not to enter into a DDA with an employer the Administering Authority will take into account the following factors, including but not limited to:

- The materiality of the employer and any exit deficit in terms of the Fund as a whole;
- The risk to the Fund of entering into a DDA,

in terms of the likelihood of the employer failing before the DDA has ended, based on information supplied by the employer and generally supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser;

- The rationale for the employer requesting a DDA, particularly if the Administering Authority believes it would be able to make an immediate payment to cover the exit deficit;
- Whether an up-front payment will be made towards the deficit, and/or any security is, or can be put, in place, including a charge over assets, bond, guarantee or other indemnity, to reduce the risk to other employers.

Where it is expected that the employer's covenant may materially weaken over time the Administering Authority is very unlikely to consider entering into a DDA with that employer. Further, where an employer can demonstrably meet the exit payment in a single instalment, the Administering Authority would be unlikely to enter into a DDA unless it was clear that this wouldn't increase risk to the Fund, e.g. if the employer was fully taxpayer-backed and sufficient assurance was in place that all contributions due, including any residual deficit at the end of the DDA, would be met in full.

It is envisaged that DDAs will only be entered into at the request of an employer. The Administering Authority will engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA, the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches.

The matters which the Administering Authority will reflect in the DDA include:

- An undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- A provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- A provision that the DDA will terminate on the first date on which one of the following events occurs-
  - o the deferred employer enrols new active members;

    the period specified, or as varied, elapses;
  - o the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
  - o the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or
  - o the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.
- The responsibilities of the deferred employer;
- The circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above.

The Administering Authority will monitor the funding position and risk/covenant associated with deferred employers on a regular basis. This will be at least triennially and most likely annually, but the frequency will depend on factors such as the size of the employer and any deficit and the materiality of movements in market conditions or the employer's membership. 33

The circumstances in which the Administering Authority may consider seeking to agree a variation to the length of the agreement under regulation 64(7D) include:

- Where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund;
- Where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the Administering Authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer's ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months; and
- Where the level of security available to the Fund has changed in relation to the DDA, as determined by the Administering Authority, taking legal, actuarial or other advice as appropriate.

At each triennial valuation, or more frequently as required, the Administering Authority will carry out an analysis of the financial risk or covenant of the deferred employer, considering actuarial, covenant, legal and other advice as necessary. Where supported by the analysis and considered necessary to protect the interests of all employers, the Administering Authority will serve notice on the deferred employer that the DDA will terminate on the grounds that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially, or is likely to weaken materially in the next 12 months, as set out under regulation 64(7E)(d).

Employers should be aware that all advisory fees incurred by the Fund associated with consideration of a DDA for an exiting employer, whether or not this results in a DDA being entered into, will be recharged to the employer. This will include actuarial, legal, covenant and other advice and the costs of monitoring the arrangement as well as the initial set up. All fees must be paid up front and cannot be added to any secondary contributions payable under the DDA.

It is expected that employers will make a request to consider a DDA before they would otherwise have exited the Fund under Regulation 64(1) and that a DDA should be entered into within 3 months of that date. The employer should continue to make secondary contributions at the prevailing rate whilst the DDA is being considered unless the Administering Authority, having taken actuarial and other advice as appropriate, determines that increased contributions should be payable. In exceptional circumstances, e.g. where there has been a justifiable delay due to circumstances outside of the employer's control, and at the sole discretion of the Administering Authority, a DDA may be entered into more than 3 months after the exit date.

Deferred employers will be expected to engage with the Administering Authority during the period of the DDA and adhere to the notifiable events framework as set out in the Pension Administration Strategy as well as providing financial and other information on a regular basis. This will be necessary to support the effective monitoring of the arrangement and will be a requirement of the DDA.

APPENDIX 3

INVESTMENT STRATEGY STATEMENT JANUARY 2023

Introduction
Cardiff Council ('the Council') is the administering authority for the Cardiff & Vale of Glamorgan Pension Fund ('the Fund')

The Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016 ("the Investment Regulations") require administering authorities to formulate and publish an investment strategy.

The Investment Strategy Statement (ISS) required by Regulation 7 of the Regulations must include:
(a) A requirement to invest money in a wide variety of investments;
(b) The authority's assessment of the suitability of particular investments and types of investments;
(c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
(d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
(e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
(f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The ISS must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

The ISS must comply with guidance issued from time to time by the Secretary of State, currently the guidance issued in July 2017.

The Terms of Reference of Cardiff Council's Pensions Committee ('the Committee') include determining the authority's investment strategy. This statement sets out the strategy for the 2023-24 and subsequent two financial years and has been prepared in consultation with the Fund's Investment Advisory Panel ('the Panel'). This timescale will align with the Fund's tri-annual valuations and the Funding Strategy Statement (FSS). The ISS will be supplemented by the Fund's Strategic Asset Allocation which will be approved by the Pension Committee on an annual basis.

A) Investment of money in a wide variety of investments
A properly diversified portfolio of assets should include a range of asset classes to help reduce overall portfolio risk. If a single investment class is not performing well, performance should be balanced by other investments which are doing better at that time. A diversified portfolio also helps reduce volatility.

The Committee aims to meet the requirement for a diversified portfolio by reviewing its Strategic Asset Allocation on an annual basis. The Asset Allocation is approved by the Committee on the advice of the Panel. The Panel considers a wide range of investment opportunities before making its recommendations.

Current asset classes included in the allocation are:
- Conventional & Index Linked Fixed Interest – Global
- Equities – Global, UK & Emerging Markets
- Private Equity (via pooled funds of funds)
- Property funds – UK & Global
- Private Markets – Private Credit and Infrastructure (Investments expected to be made early in 2023)

The following investment related activities are also permitted:
- Derivatives and other financial instruments within pre-agreed limits for the purpose of efficient portfolio management or for specific purposes such as currency hedging
- Underwriting, provided the underlying stock is suitable on investment grounds and complies with existing investment criteria

The Asset Allocation targets and variance limits currently in force together with the portfolio benchmarks and targets are summarised in Appendix A.

Investment Limits

The Investment Regulations in force between 2009 and 2016 set statutory limits for different types of investments. The 2016 Investment Regulations removed these limits but the Fund will continue to operate within the limits in column 2 of Schedule 1 to the 2009 Regulations in respect of any assets not yet transitioned to the Wales Pensions Partnership.

B) Suitability of particular investments and types of investments

The investment policy of the Fund is intended to ensure that all statutory payments made from the Fund are at minimal cost to employing bodies.

The 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. Investment returns are defined as the overall rates of return (capital growth and income combined). It is also recognised that investments are intended to preserve and enhance the Fund's value.

The statutory requirement is to move towards 100% funding of the Fund's accrued liabilities over a period of time. This period together with the funding level is calculated every three years and agreed with the Actuary following a review that assesses 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 advice. The Panel will regularly review the overall asset allocation and consider appropriate opportunities for a further asset-liability study as was the case with the upcoming WPP Private Credit and Infrastructure investments.

C) Risk

A detailed schedule of the main risks to the Fund is set out in the Funding Strategy Statement. Risks arising from investments are monitored by the Investment Advisory Panel. The Fund recognises the risks arising from holding a higher proportion of equities and other return seeking assets than would be held under a liability-driven strategy but considers that these risks are mitigated by the strong covenant of the Fund's principal employers and the stable maturity profile of its membership.

Investment Risk is the risk that the Fund's managers fail to achieve the rate of investment return assumed in setting their mandates. The primary control over investment risk is the diversification of assets across markets and asset classes. Correlations amongst these will vary over time, but the underlying risk of exposure to a specific capital market is mitigated to some extent by a diversifying strategy such as that followed by the Fund.

The individual specialist fund managers manage the risk of variation from benchmarks consistent with the targets they have been given. Relative risk levels for active managers are reported quarterly and discussed annually by the Panel. The Panel recognises that tracking error itself can be a volatile measure of the risks being taken by a manager and that ex post statistics may vary considerably from ex ante estimates. As such, its predictive value needs to be treated with care. The tracking error is therefore used as a guide when considering overall manager performance.

Liquidity Risk is the risk that the Fund cannot meet its immediate liabilities because it has insufficient assets. The Fund monitors its liquidity position carefully to ensure that it is not a seller of long term assets to make benefit payments. At least 80% of the Fund's assets are held in publicly listed equities and bonds which can be readily realised. Investments in property and private equity are long term investments which the Fund is less likely to be able to realise in a short period. Operational risks arise through the implementation of the Fund's investment strategy. These risks are set out below:

- Transition risk – the Fund may incur

unexpected costs in relation to the transition of assets between managers and/or asset classes. When carrying out significant transitions, the fund takes professional advice and considers the use of specialist transition managers in order to mitigate this risk when it is cost effective to do so.

- Custody risk – the Fund must ensure that it retains the economic rights to all Fund assets, when held in custody or being traded. It does this through the use of a global custodian (Northern Trust) for custody of assets, the use of formal contractual arrangements for all investments and by maintaining independent investment accounting records.
- Credit default risk – a counterparty related to a Fund investment could fail to meet its obligations. The Fund's investment managers are required under their asset management contracts to manage counterparty risk on behalf of the Fund.

D) Pooling of Investments

The Cardiff & Vale of Glamorgan Pension Fund is one of the eight LGPS funds participating in the Wales Pension Partnership (WPP). The proposed structure and basis on which the WPP operates was set out in the July 2016 submission to the Department for Communities and Local Government.

Assets to be invested in the WPP

The Committee's intention is to invest the Fund's assets through the WPP as and when suitable pooled investment solutions become available. By 30 September 2022 this Fund had invested in the following WPP Active Equity and fixed Income Funds :-

Asset Class	Fund	Date of Investment
UK Equity	UK Opportunities Fund	February 2019
Fixed Income	Global Government Bonds	August 2020
Fixed Income	Global Credit	August 2020
Fixed Income	Multi Asset Credit	August 2020
Global Equity	Global Opportunities Fund	July 2021
Global Equity	Global Growth Fund	July 2021
Emerging Market Equity	Emerging Market Equity Fund	October 2021

The Fund's allocation to passive Equities have been invested through pooled funds managed by BlackRock following a collaborative procurement carried out in 2016 with the other LGPS funds in Wales. As at 30 September 2022 the Fund's passive equity holding is solely invested in the BlackRock Low Carbon Tracker Fund.

As at 30 September 2022 over 84% of the Fund's value is now invested in WPP or collaboratively procured funds.

The Pension Committee has also approved investment of up to 7.5% of Fund value into each of the WPP Private Credit and Open-ended Infrastructure Funds. These investments are expected to commence early into 2023.

A WPP Private Equity Fund is targeted to be launched during 2023. It is anticipated that the Fund's existing private equity investments will not be transitioned into the Pool but will be replaced by the WPP Fund as they mature over the next 10-15 years. Work on developing a WPP Property Fund will continue in 2023. At this stage no decision has been made on whether the Fund will transition its Property assets to any WPP Property Fund but this will be considered during the lifecycle of this Statement.

Structure and governance of the Wales Pension Partnership

The WPP has appointed Link Fund Solutions to establish and operate a collective investment vehicle for the sole use of the LGPS funds in Wales. Link have established an Authorised Contractual Scheme (ACS) on behalf of the WPP and have developed a range of sub-funds in which the assets of the eight participating pension funds have been invested. Link are supported by Russell Investments who advise on sub-fund design and manager selection. Northern Trust have been appointed as the ACS Custodian.

A Joint Governance Committee (JGC) was established which comprises one elected member from each constituent administering authority and is supported by an Officer Working Group. Carmarthenshire Council acts as Host Authority to provide administrative and secretarial support to the WPP.

The Terms of Reference of the JGC and the roles of the Officer Working Group and Host Authority have been set out in a legally binding Inter Authority Agreement approved and executed by the eight administering authorities. The responsibilities of the JGC include:

- Monitoring the performance of the Pool Operator
- Making decisions on asset class sub-funds to be made available by the Operator to implement the individual investment strategies of the eight funds
- Providing accountability to the participating funds on the management of the WPP
- Having responsibility for reporting on the WPP to the UK Government and other stakeholders
- Having oversight of the Officer Working Group

The eight administering authorities retain control over setting their individual Fund's investment strategy and asset allocation.

E) How Environmental, Social and Governance (ESG) considerations are taken into account

The Committee seeks to identify investment opportunities which do not conflict with its fiduciary duties to seek an optimum return, whilst wishing at the same time to take account of Environmental, Social and Governance (ESG) concerns and issues. It recognises the concerns of the Fund Employers and other stakeholders regarding these ESG issues, which to date have focused in particular on climate change. As it has done over the previous three years, the Fund will continue to develop its investment strategy in response to those ESG concerns which are expected to see an increased focus on the "S" and "G" considerations for example an engagement theme for Robeco (the WPP Voting & Engagement Advisor) for 2023 is Forced Labour and Modern Slavery. Subject to being consistent with its fiduciary duties and regular assessments by the Panel of the impact of investment decisions, the Committee will consider enhancing its Responsible Investment activities. This will respond to the future opportunities that are presented to the Fund, in particular through the WPP, which could include :

- Investing in the Sustainable Active Equity Fund which is expected to be launched by the WPP towards the end of Q1 2023.
- Considering whether the Fund should set its own "Net Zero" target and if it does the timeframe in which it will meet this target.?
- The majority of the Fund's assets are now pooled in WPP Funds and as the WPP is currently a signatory to the UK Stewardship code are there any benefits from the Fund also becoming a signatory to the Stewardship code that would justify the additional costs involved in this process ?
- Continued engagement with investment managers and companies through WPP and LAPFF with the ultimate sanction of disinvestment from companies representing a continuing ESG risk who do not respond positively to engagement.
- Positive investment in companies developing clean technology for example through the WPP Infrastructure Funds to be launched early in 2023.

The Committee will expect the investment managers appointed via the WPP to adopt the relevant stewardship principles (either the UN Principles for Responsible Investing or the UK Stewardship Code) and to report on their compliance.

The Fund is a member of the Local Authorities Pension Fund Forum (LAPFF) to enable it to act collectively with other LGPS funds on corporate governance issues.

Consultation on Taskforce for Climate Related Financial Disclosures (TCFD) proposals for LGPS Funds closed in November 2022. Regulations are expected to come into effect from April 2023 with the first Fund Annual Report to include these disclosures, for 2023/24, being published by 1 December 2024.

F) The exercise of rights (including voting rights) attaching to investments

The long term investment interests of LGPS funds are enhanced by the highest standards of corporate governance and corporate responsibility amongst the companies in which they invest. Poor governance can negatively impact shareholder value.

The Fund will participate in the development of voting and engagement policies for the WPP, through Robeco the WPP's Engagement and Voting advisor, which promote high standards of corporate governance, including transparency and accountability by companies for the ESG impacts of their business activities.

APPENDIX 4

COMMUNICATIONS POLICY STATEMENT

Introduction

The Cardiff and Vale of Glamorgan Pension Fund strives to provide a high quality and consistent service to our customers in the most efficient and effective way possible, in this ever-changing pension environment.

This Policy Document has been prepared and published, by Cardiff Council as Administering Authority of the Cardiff and Vale of Glamorgan Pension Fund. This Policy document has been written in compliance with regulation 61 of the Local Government Pension Regulations 2013 (the LGPS Regulations).

The Objectives of the Fund's Communication Strategy are to enhance transparency and accountability with scheme by :

- improving awareness and appreciation of the benefits provided by the pension scheme
- encouraging take up of the scheme amongst new and existing employees
- answering all LGPS member pension entitlement questions promptly
- developing the partnership between the Pension Fund's administration team and the employing bodies
- liaising with a range of other groups who have an interest in the scheme

Within the pension fund there are five groups of members with whom the Fund needs to communicate with:

1. Scheme Members
2. Prospective Scheme Members
3. Scheme Employers
4. Representatives of Members
5. Other Bodies

This Policy document sets out how we plan to communication with all five groups.

The Cardiff and Vale Pension Fund aims to use the most appropriate channel of communication for the audience receiving the information. In some circumstances this may mean using more than one channel.

SCHEME MEMBERS

Scheme members include:

- Active members- currently contributing into the Fund
- Deferred members- benefits in scheme but not contributing
- Pensioners- receiving a pension

Fund Website

The Fund has developed an extensive website which sets out Scheme rules and regulations in a simple and easy to read format. Information updates and news items are quickly added to notify members of any Scheme changes. Electronic copies of the Fund's leaflets, forms, booklets, policy documents and reports are also readily available. The Fund's Annual Report and Accounts are available, plus all key governance documents.

Annual Report and Accounts

An electronic copy of the Fund's Annual Report and Accounts is available to all Scheme members on the website. Hard copies are also available on request.

Newsletter

The Fund will issue a newsletter to active Scheme members of the Fund on an ad hoc basis, which will cover current pension topics within the Local Government Pension Scheme and wider pensions industry.

We send an annual newsletter to all pensioners every April, giving them details of their annual pension increase, the payment dates for the new financial year, plus any other relevant pension information.

Annual Benefits Statement

Annual Benefits Statements are sent to all Active members' home addresses showing them the current value of their pension as at 31 March. Plus, a projection figure to Normal Pension Age (NPA) and current value of death benefit.

We also send Annual Benefit Statements to our deferred members' which gives them the current value of their pension at every April (the date the pension was last increased in line with the appropriate cost of living index).

Supplementary notes are provide with both Annual benefits Statements and Notes for Guidance are published on our website for additional support.

Scheme Literature

Cardiff and Vale of Glamorgan Pension Fund produce an extensive range of Scheme literature, which are available to all Employers and Scheme Members in both English and Welsh. All literature is updated regularly, to keep up to date with regulation changes and available on the Pension Fund's website.

Pension Increase Statements
Annual Pension Increase statements are sent to all pensioners informing them of the percentage rate their pension will increase, and also the new pension payment for the new financial year.

Retirement Figures
Deferred members contact us 6 weeks before their retirement date and retirement figures are sent to their home address.

Statutory Notifications
In Compliance with Scheme Regulations, members are notified when any change occurs to their pension record which will affect their pension benefits.

Correspondence
The Fund uses both surface mail and email to receive and send correspondence. Response will be sent in the individuals preferred language of choice.

Payment Advice/P60
All Pensioners are issued with payment advice pay slips every April (together with their Pension Increase newsletter). Payslips are only sent throughout the year if their net pension changes by £10 or more.

P60 notifications are sent out annually (usually in April or May) and provide members with a breakdown of the payments they have received over the last complete financial year.

PROSPECTIVE SCHEME MEMBERS

Scheme Leaflet
All prospective Scheme members are provided with a Scheme brochure, which explains the benefits of joining the LGPS. This brochure is sent by the Human Resources Team when their employment contract is sent to new employees.

Pension Website
The Fund's website has a dedicated section for non-members, where it highlights the benefits of the Scheme and the importance of planning for retirement. Giving all non-members the information, they need to make an informed decision.

SCHEME EMPLOYERS

The Fund communicates with its participating employers in several ways to help them meet their responsibilities as Scheme Employers.

Annual Employer Forum
We hold an Employer Forum meeting every year for all Scheme Employers, where Fund Managers discuss:

- Detailed investment update
- Financial and administrative reports
- Any relevant procedural/legislative changes
- Triennial valuation
- Guest speakers who will be able to upskill our Employers

The Communications and Training Officer will make periodic visits to the Employers address to discuss issues as and when they arise.

All Employers need to supply pay and contribution data to the pension scheme, within deadlines and in the format specified by the Pensions Team.

All employers within the Scheme, and their Human Resources functions, play a key role in informing the pension team of the new starters, leavers, retirements etc. Employers are also responsible for providing information on the pension scheme to their employees.

Annual Report and Accounts
The audited accounts of the Cardiff and Vale of Glamorgan Pension Fund are prepared as at 31

March each year. A copy of the Fund's Annual Report, which includes the accounts, is posted on the Fund website.

Pension Administration Strategy
The Administration Strategy defines the responsibilities of both the Fund and all Scheme employers in the administration of the Scheme.

The Strategy sets out the level of performance expected from the Cardiff and Vale Pension Fund and all employers, as well as the consequence of not meeting statutory deadline.

Website
The Fund website has a dedicated employer area to provide employers with the guidance needed to effectively discharge their administrative responsibilities and will include updates and forms which can be downloaded.

Updates
Regulatory and administrative updates are frequently issued to all employers by email.

Training
Bespoke training sessions can be delivered on request by the dedicated Communication & Training Officer to resolve any administrative issues identified by the employer.

Pension Board
The Fund's Local Pension Board was established on 1st April 2015. The Board includes three Employer member representatives who participate in the Board's role of assisting the Scheme Manager as well as an independent Chair and three Scheme Member representatives. Each Board member has received appropriate induction and training and will be kept up to date with national and local developments in the LGPS. The names and contact details of the Employer member representatives are available on the Cardiff and Vale Pension Fund website.

MEMBER REPRESENTATIVES

Trade Unions
Trade Unions in South Wales are valuable ambassadors for the Pension Scheme. They deliver details of the Local Government Pension Scheme's to their members by local representative. They also assist in negotiation under TUPE transfers to ensure, whenever possible, continued access to the Local Government Pension Scheme.

A Trade Union Forum is held annually. Representatives of the local trade union branches receive presentations on the Fund's Annual Report, the performance of its investments and other current issues.

Pension Board
The Fund's Local Pension Board was established on 1st April 2015. In addition to the three Employer member representatives outlined above and an independent Chair, the Board also includes three scheme member representatives who participate in the Board's role of assisting the Scheme Manager. Each Board member has received appropriate induction and training and will be kept up to date with national and local developments in the LGPS. The names and contact details of the scheme member representatives are available on the Cardiff and Vale Pension Fund website.

OTHER BODIES

The Pensions Administration Team are also actively involved with other various groups who have an interest in the LGPS.

Department for Levelling Up, Housing and Communities
This Government Department are responsible for amending the Scheme regulations following consultation with all local authorities, and some employers. The Fund takes part in these exercises as and when necessary.

We also have involvement with the Local Government Association (LGA) and National Association of Pension Funds (NAPF). The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF).

All Wales Pensions Officer's Group

Pension Officers from all the Welsh administering authorities meet regularly to discuss and share information. This ensures uniform interpretation of the LGPS and other prevailing regulations.

Wales Pension Partnership (WPP)

Since the proposals for a Wales Investment Pool were approved by the Minister for Local Government in November 2016 this Fund has worked closely with the other Welsh Local government Pension Funds to develop specific partnership investment arrangements. A number of sub-funds have been launched since the inception of the WPP and work continues in developing other shared investment opportunities, particularly for alternative investments. The development of the WPP has allowed the Funds to develop consistent communications across areas such as Responsible Investment and Voting and Engagement policies.

Seminars

Fund Officers regularly participate at seminars and conferences held by LGPS related bodies.

GENERAL INFORMATION

Data Protection

To protect any personal information held on computer, the Cardiff and Vale of Glamorgan Pension Fund, is registered under the Data Protection Act 2018. This allows members to check that their details held are accurate. The Fund's Privacy Notices are published on the Pension Fund website.

National Fraud Initiative

The Authority are under a duty to protect the public funds it administers and may use information for the prevention and detection of fraud.

General

Whilst this Policy Statement outlines the communication approaches adopted by the Cardiff and Vale of Glamorgan Pension Fund there are roles and responsibilities which fall on Scheme members, perspective scheme members and participating Scheme employers in ensuring that information necessary to maintain an accurate membership base is provided in a timely manner.

Policy Review

This statement will be revised if these are any material changes in Cardiff and Vale of Glamorgan Pension Fund's Communication Policy but will be reviewed on an annual basis.

How to get in contact with us

If you have a question or would like some more information about The Cardiff and Vale of Glamorgan Pension Fund please contact us.

By email: pensions@cardiff.gov.uk

By phone: 029 2087 2334
open Monday to Thursday
from 8.30am to 5pm,
and Friday 8.30am to 4.30pm

By Post: Pensions Team
Room 345
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

APPENDIX 5

GOVERNANCE COMPLIANCE STATEMENT

This Statement has been prepared and published by the City of Cardiff Council as Administering Authority of the Cardiff & Vale of Glamorgan Pension Fund, in compliance with regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) (the “LGPS Regulations”).

Delegation of Functions

City of Cardiff Council has established a Pensions Committee to discharge its functions under the LGPS Regulations and has delegated operational management of the Pension Fund to the Corporate Director Resources. The relevant sections in the Council's Constitution are:

Terms of Reference for Committees:

Pensions Committee

To discharge the functions of the authority as Administering Authority of the Cardiff & Vale of Glamorgan Pension Fund ('the Fund') as described in the Local Government Pension Scheme (LGPS) Regulations made under the Superannuation Act 1972 (sections 7,12 or 24) and Section 18(3A) of the Local Government and Housing Act 1989; and

To discharge the following specific strategic functions with regards to the Fund, taking account of advice from the Corporate Director Resources and the Fund's professional advisers:-

a) Determining the Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
    - i) Governance – approving the Governance Policy and Compliance Statement for the Fund;
    - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, giving due consideration to the results and impact of the triennial actuarial valuation and interim reports;
    - iii) Investment strategy- approving the Fund's investment strategy, Statement of Investment Principles and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite;
    - iv) Communications Strategy – approving the Fund's Communication Strategy;
    - v) Discretions – determining how the various administering authority discretions are operated for the Fund; and
    - vi) Internal Dispute Resolution Procedure – determining how the Scheme Member disputes are administered.

b) Monitoring the implementation of these policies and strategies as outlined in a) above on an ongoing basis.

c) Considering the Fund's financial statements as part of the approval process and agreeing the Fund's Annual Report. Receive internal and external audit reports on the same.

d) Receiving ongoing reports from the Corporate Director Resources in relation to the delegated operational functions.

e) To provide independent assurance to members of the Fund of the adequacy of the risk management and associated control environment, responsible for the Fund's financial and non-financial performance.

f) To adhere to the principles set out in the Pensions Regulator Code of Practice and undertake its duties in compliance with the obligations imposed on it.

g) To receive regular training to enable Committee Members to make effective decisions and be fully aware of their statutory and fiduciary responsibilities and their stewardship role.

h) Consider any pension compliance matters raised by the Fund's Local Pension Board.

i) All Members of the Committee will be required to undertake relevant training to enable them to properly discharge their duties.

Local Pension Board
The terms of reference of the Local Pension Board have now been added to the Council's Constitution and are as follows :-
To assist Cardiff Council as Scheme Manager and Administering Authority to:
(i) secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the scheme;
(ii) secure compliance with any requirements imposed by the Pensions Regulator in relation to the LGPS; and
(iii) ensure the effective and efficient governance and administration of the scheme (pursuant to sections 5(1) and (2) of the Public Services Pensions Act 2013 and regulation 106(1) of the LGPS Regulations

Specific Delegations to Statutory Officers:

FS28
In accordance with any policy or strategy decided by the Pensions Committee to approve decisions relating to the operational management of the pension fund and the administration of pension benefits.

The administration of the Pension Fund is carried out by the Pensions Section based in County Hall. All significant decisions e.g. the exercise of discretions granted to the administering authority under the LGPS regulations, are made and recorded in accordance with the Council's scheme for delegated decision making. As part of the Resources Directorate, the Section is subject to the Council's policies, procedures and internal controls.

The Pension Committee and Corporate Director Resources are advised on investment matters by an Investment Advisory Panel. The role of the panel is detailed in the Fund's Investment Strategy Statement (ISS).

The panel comprises:
- Corporate Director Resources
- Three elected members of City of Cardiff Council
- One elected member of Vale of Glamorgan Council (observer status)
- Two independent advisers

The panel normally meets four times a year to review the performance of the Fund's investments and to advise on investment strategy. The panel also considers other aspects of the administration of the LGPS which may have implications for investments e.g. the triennial actuarial valuation. The panel receives presentations from each active investment manager annually and also interviews shortlisted managers when new mandates are awarded.

An Employers' Forum is held annually to which all contributing employers of the Fund are invited.

The Forum considers the Fund's Annual Report and Accounts and receives presentations on matters such as changes in regulations and actuarial valuations.

A Trade Union Forum is also held annually and considers similar issues with trade union representatives of the main employers.

Compliance with Statutory Guidance

Compliance Standard	Arrangements in Place/Action Taken	Action Complies with Principle? Yes/No/ Partial	Reason for non-Compliance (if applicable)
Principle A – Structure			
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	The Committee's Terms of Reference and Officer Delegations are clearly set out in the Council's Constitution	Yes	
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	The two main employers are represented on the Investment Advisory Panel (the Panel). Other employers are represented on the Local Pension Board and attend the annual Employers' Forum Scheme members are not represented on the Committee or Panel but are represented on the Local Pension Board and attend the Trade Union Forum. The Joint Governance Committee (JGC) of the Wales Pension Partnership (WPP) now includes a non-voting Scheme Member	Partial	Pension Board (Secondary Committee) has representatives from Employers and Scheme Members but not pensioner or deferred members
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes Minutes from meetings of both the Panel and the Local Pension Board are agenda items for the Pension Committee.	Yes	
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	No – the Committee is a committee of the administering authority.		

Principle B – Representation			
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. *These include :-* *i) employing authorities (including non-scheme employers, eg, admitted bodies);* *ii) scheme members (including deferred and pensioner scheme members);* *iii) independent professional observers; and* *iv) expert advisors (on an ad-hoc basis).*	The Committee is a committee of the administering authority. The two unitary authorities employ over 85% of active members and are represented on the Panel. Other employers are not currently represented Scheme members are not currently represented Two independent advisors attend every Panel meeting	Partial	Pension Board (Secondary Committee) has representatives from Employers and Scheme Members but not pensioner or deferred members
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	All Committee and Panel members have the same access to papers and training opportunities.	Yes	
Principle C - Selection and Role of Lay Members			
That Committee, Board or Panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	The functions of the Committee are set out in the Council's Constitution. The role of the Investment Advisory Panel is clearly set out in the SIP and other key documents	Yes	

Principle D – Voting			
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees	Voting Rights for this Fund are largely exercised through the WPP, in line with the other Welsh LGPS Funds. The WPP has appointed Robeco as its voting and engagement advisor and WPP receives updates on voting and engagement activity from Robeco. The WPP undertakes regular reviews of it's voting policy.	Partial	As a consequence of concentration of investments in WPP Funds voting is not exercised via the Fund.
Principle E - Training/Facility Time/Expenses			
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Committee and Panel members are advised of training opportunities.	Yes	
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	Yes	
Principle F - Meetings (frequency/quorum)			
That an administering authority's main committee or committees meet at least quarterly.	The Committee meets at least quarterly.	Yes	
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	The Investment Advisory Panel and Pension Board meets quarterly in advance of Pension Committee dates. One of the Board meetings is a joint meeting with the Committee	Yes	
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Employers' Forum, incl. Trade Unions, is held annually	Yes	

Principle G - Access			
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Papers are circulated to all Committee, Board and Panel members in advance of meetings. The target is to circulate papers for all three meetings 3 working days in advance of the meeting.	Yes	
Principle H - Scope			
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangement	The Committee's role is to consider all strategic issues. The Investment Advisory Panel considers all issues relevant to investment matters whilst the Board has a focus on pension administration issues. Wider issues are also discussed at the Employers' Forum.	Yes	
Principle I - Publicity			
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	All governance documents for the Pension Committee are published on the Council's website. The Fund website includes a number of key governance documents including the Annual Report and the Administration Strategy.	Yes	

Local Pension Board
Further information on the Local Pension Board, including the Board's Terms of Reference have been published on the Fund's website:
[Pensions Committee and Board- Cardiff and Vale Pension Fund]

Wales Pension Partnership (WPP)
Details of the governance arrangements for the WPP can be found on the WPP website:
[Wales Pension Fund | Governance (walespensionpartnership.org)]

CHRISTOPHER LEE
CORPORATE DIRECTOR RESOURCES
February 2023

GLOSSARY

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Active / Passive Management
Active management is the traditional form of investment management involving a series of individual investment decisions that seek to maximise returns by exploiting price inefficiencies i.e. 'beat the market'.

Passive management is a low cost alternative where managers normally hold stocks in line with a published index, such as the FTSE All-Share, not seeking to outperform but to keep pace with the index being tracked.

Actuary
An independent consultant who advises on the long-term viability of the Fund. Every three years the Fund actuaries review the assets and liabilities of the Fund and report to the Council on the financial position and recommended employer contribution rates. This is known as the actuarial valuation.

Actuarial Gains and Losses
For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

Active Member
Current employee who is contributing to a pension scheme.

Admitted Body
An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

Asset Allocation
Apportionment of investment funds among categories of assets, such as Bonds, Equities, Cash, Property, Derivatives, and Private Equity. Asset allocation affects both risk and return.

Benchmark
A measure against which the investment policy or performance of an investment manager can be compared.

Bonds
Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

Cash and Cash Equivalents
Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)
CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Contingent Liabilities or Assets
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Creditors
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

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

Debtors
These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

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

Defined Benefit Scheme (Pensions)
This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme (Pensions)
A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Derivative
A derivative instrument is a contract whose value is based on the performance of an underlying financial asset, index, or other investment.

Emerging Markets
Relatively new and immature stock markets for equities or bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

Employer Contribution Rates
The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

Equities
Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and may normally vote at shareholders' meetings.

Fair Value
Fair Value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Assets
Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Liabilities
Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

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

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

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

Funding Strategy Statement (FSS)
The FSS is a document that addresses the issue of the primary responsibility of the Fund to ensure the fund has sufficient assets to ensure it liabilities to pay pension benefits can be made. It will aim to ensure the solvency and long term cost efficiency of the Fund by taking a prudent longer-term view of how it funds its liabilities to pay future benefits. The Administering Authority will prepare, maintain and publish the FSS after acting on professional advice provided by the Fund Actuary.

Impairment
A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value.

Index
A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

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

Liabilities
These are amounts due to individuals or organisations which will have to be paid at some

time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Local Government Pension Scheme (LGPS)
The Local Government Pension Scheme, governed by regulations issued by the Department for Communities and Local Government.

Materiality
Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Pension Fund
A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

Pensioner
A scheme member who received a pension from the Fund.

Pooled Funds
Pooled investment vehicles issue units to a range of investors. Unit's prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund. The main types are: unit trusts, open-ended investment companies (OEICs), insurance linked vehicles and investment trusts.

Portfolio
A collective term for all the investments held in a fund, market or sector. A segregated portfolio is a portfolio of investments of a specific type held directly in the name of the investor e.g. Global Bonds, or a specific market e.g. UK Equities, Far East Equities.

Prior Period Adjustments
These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

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

Provisions
Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

Related Parties
Related parties are Central Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Return
The total gain from holding an investment, including both income and any increase or decrease in market value. Returns over periods longer than a year are usually expressed as an average annual return.

Scheme Employers
Local authorities and bodies specified in the LGPS Regulations, whose employees are entitled automatically to be members of the Fund, and Admission Bodies including voluntary, charitable and similar bodies, carrying out work of a public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

Scheduled Body
An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

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

Unrealised Gains / Losses
The increase or decrease in the market value of investments held by the fund since the date of their purchase. Note: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

FURTHER INFORMATION

Information about the Fund is available on the Fund's website:
https://www.cardiffandvalepensionfund.org.uk/

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.

Further information on the Pension Fund or any pension matters may be obtained from:
Pensions Team
Room 345
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

Telephone: **029 2087 2311**
E-mail: enquiries should be sent to: **Pensions@cardiff.gov.uk**

Email enquiries should be directed as follows:

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