

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

**ANNUAL REPORT
&
ACCOUNTS**

2013/2014

SUMMARY AND CONTENTS

EXECUTIVE SUMMARY

- The total value of the Fund continues to rise and has now reached £1.49 billion as at 31 March 2014, an increase on the previous year end valuation of £1.35 billion.
- Equity markets continued to be positive over the last twelve months and the Fund achieved a return on investments for 2013/14 of 8.9%, 2.7% above the 6.2% benchmark. 1.9% of this additional return was due to stock selection by the Fund's active managers.
- The Fund remains in a positive position in terms of contributions received and benefits paid. The difference in the year was a net increase of £31.8m.
- Membership of the Fund continues to rise, with increases in both contributors and pensioners.
- At the most recent actuarial valuation, as at 31st March 2013, the funding level was 82%, a significant increase on the previous 2010 funding level of 71%.
- Summary statistics for the Fund are shown in Appendix 1.

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FOREWORD

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

The triennial actuarial valuation of the Fund as at 31 March 2013 was completed in March 2014. The valuation showed that although the Fund's liabilities had continued to increase, the funding ratio had improved from 71% in 2010 to 82% and the deficit had fallen from £431 million to £311 million. The Fund's assets grew by 11% during 2013/14, from £1.35 billion to nearly £1.5 billion. Employer contribution rates have been set for the next 3 years and in most cases were contained within expectations.

New regulations for the LGPS were issued in September 2013 with an implementation date of 1st April 2014. All benefits accrued from that date will be on a career average basis with annual inflation-linked revaluations. The new regulations also link each member's Normal Pension Age with their State Pension Age, which will result in pensions payable on retirement before State Pension Age being reduced. Benefits accrued up to 31st March 2014 will be protected and will continue to be based on the member's length of service up to that date and final salary on retirement.

During 2013 the Department for Communities and Local Government (DCLG) issued its "Call for Evidence" on the future structure of the LGPS. Following analysis of the responses by the Shadow Scheme Advisory Board and a supplementary analysis of options for reform by actuarial consultants Hymans Robertson, a consultation on collaborative investments has been issued by the DCLG. A further consultation on scheme governance is expected shortly, leading to the establishment of a local Pension Board for each LGPS fund from 1st April 2015. The local Pensions Board's remit will be to assist the Administering Authority with securing compliance with regulations for governance and administration.

Another challenging year lies ahead as pension matters continue to be a major discussion topic for government, employers and scheme members. The Pension Section's key objectives continue to be to minimise future employer costs and to deliver a high standard of services to its 33 employers and 35,000 contributing employees, pensioners and deferred pension members.

Christine Salter
Corporate Director Resources
June 2014

MEMBERS AND ADVISERS

TRUSTEES

The power of removing and/or appointing trustees of local authority pension funds rests with Parliament. City of Cardiff Council was appointed in 1996 as the sole trustee and administering authority of the Cardiff and Vale of Glamorgan Pension Fund.

INVESTMENT ADVISORY PANEL

Responsibility for the Fund has been delegated by the Council to the Corporate Director Resources. She is advised on investment matters by the Investment Advisory Panel. Members in the year to 31st March 2014 were:

Cllr R Goodway	(Chair) Cabinet Member for Finance, Business & Local Economy, City of Cardiff Council
Cllr J Evans	Member, City of Cardiff Council
Cllr R McKerlich	Member, City of Cardiff Council
Cllr F Johnson	Member, Vale of Glamorgan Council (Observer)
Mr S Bates	Independent Adviser
Ms C Burton	Independent Adviser
Mrs C Salter	Corporate Director Resources, Cardiff Council

PROFESSIONAL ADVISERS

The Fund's professional advisers during the year were:

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

Investment Managers:

Global Bonds	- Aberdeen Asset Management
Indexed UK Equities	- Blackrock Investment Management
Indexed UK and USA Equities	- State Street Global Advisers
Active UK Equities	- Invesco Perpetual
	- JP Morgan
	- Majedie
Active Europe ex-UK Equities	- State Street Global Advisers
Active Asia-Pacific Equities	- Schroders Investment Management
Active Japanese equities	- Nikko Asset Management
Emerging Market Equities	- Aberdeen Asset Management
Currency Management	- Mesirow

MEMBERS AND ADVISERS

Private Equity	- Capital Dynamics
	- Harbourvest
	- Pantheon
UK Property	- Blackrock
	- Schroders
	- Standard Life
	- UBS
Global Property	- CB Richard Ellis

Note: during 2013/14 the Co-Operative Bank gave notice of its intention to withdraw from providing banking services to Local Authorities. Lloyds Bank Ltd were appointed in February 2014 as the Fund's Bankers from 1st April 2014.

FUND ADMINISTRATION

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

Although responsible for administering the Fund, City of Cardiff Council has exactly the same relationship with the Fund as all 33 active employers in the Fund. A full list of employers is given in Note 5 to the accounts.

Fund income arises from investment earnings and contributions by employees and employers. During 2013/14 the nationally set employee rates ranged between 5.5% and 7.5% of pay depending on the member's annual pay. Employers' rates are calculated by the scheme actuary at the triennial actuarial valuation and are expressed as a percentage of pay. For some employers the actuary has also specified additional cash amounts to be paid during each financial year.

Transfer values paid to other funds in the year were calculated and verified as required under the Social Security Act 1985. Transfer values are payments between funds when contributors leave one employer and choose to transfer the value of their benefits to another pension arrangement.

PENSION INCREASES

Pensions are subject to annual mandatory increases, determined by the increase in the Consumer Price Index in the twelve months to the previous September. The increases are payable by the Fund and future increases are estimated at each triennial valuation. Any variations are adjusted for at subsequent valuations through the employer's contribution rate of the pensioner's last employer before retirement. Increases take effect in the first full week of each financial year. The increase in 2013/14 was 2.2% and the increase for 2014/15 will be 2.7%.

DEVELOPMENTS IN 2013/14

Regulations for membership, contributions and benefits for the 2014 Scheme were issued by DCLG in September 2013 for implementation on 1st April 2014. The main change is a move from a final salary to a career average scheme although accrued benefits up to 31st March 2014 will be protected and will still be based on the member's length of service up to that date and final salary on retirement. Other changes include a revised banding scheme for employer contribution rates and the option of contributing at 50% in return for earning 50% benefits.

In June 2013 the DCLG issued its "Call for Evidence" on the future structure of the LGPS. The paper proposed a number of objectives for structural reform and asked what options should be considered to meet them. Following analysis of the results by the Shadow Scheme Advisory Board and a further report from consultants Hymans Robertson, the DCLG has issued a further consultation on opportunities for collaboration, cost savings and efficiencies. The consultation proposes that funds collaborate by investing in common investment vehicles (CIVs) and also that listed assets are managed passively but mergers of funds are not being pursued at this point in time.

The Public Service Pensions Act was passed in April 2013 and requires each public sector scheme to establish a Pension Board to assist the scheme manager in securing compliance with scheme regulations. The DCLG published a discussion paper on scheme governance in July 2013 and has subsequently issued a consultation on draft regulations for setting up a local Pension Board for each LGPS fund by 1st April 2015. Each local board will include both

FUND ADMINISTRATION

employer and member representatives.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Prudential Assurance continues as the AVC provider for the Fund. During 2013/14 Prudential continued to offer information and workshops for Scheme members.

Prudential have a Local Government AVC website which members may visit at:

<http://www.pru.co.uk/content/schemes/localgovavc>

INVESTMENT MANAGEMENT

INVESTMENT POWERS

The principal investment powers of the Fund are found in the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009. The Regulations give the power for administering authorities to delegate investment decisions to external managers conditional upon proper consideration of a reasonable and sufficient diversification of managers. Periodic reviews of the appointment of, and investments made by, managers are also obligatory. Proper advice is required in determining suitable types of investment.

INVESTMENT OBJECTIVE

The Fund's overall investment objective is to maximise investment returns and to minimise or at least stabilise future employer contributions over the long term within an acceptable level of risk. Two special factors must be borne in mind in seeking this objective: the long term nature of the liabilities and the fact that liabilities are either related to remuneration at the time of retirement (for benefits accrued before 31 March 2014) or are inflation-linked (for pensions in payment and all benefits accrued after 1 April 2014).

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 Panel takes the actuarial position and funding level into account in formulating its strategic investment advice.

The 2013 actuarial valuation was completed in March 2014. The Valuation Report and Funding Strategy Statement are available on City of Cardiff Council's website www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Pages/default.aspx.

The funding ratio of assets against liabilities was calculated as 82%. Whilst gilt yields persisting at historically low levels contributed to a rise in liabilities, the Fund benefitted from a review of demographic assumptions and higher than expected returns on investments. The Actuary has advised the Fund on suitable employer contribution rates, effective from 1 April 2014, which will recover the deficit over reasonable periods. The Panel will monitor the Fund's position and consider whether any changes are required to the investment strategy.

FUND MANAGEMENT

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

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

The formal responsibility for investment decisions lies with Christine Salter, Corporate Director Resources, under powers delegated by the Council.

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

INVESTMENT MANAGEMENT

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. All fees are charged to the Fund and are paid from investment returns. Management fees for 2013/14 were £3.98m (£3.16m in 2012/13). Custodian fees for the year amounted to £117,000 (£108,000 in 2012/13).

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

STATEMENT OF INVESTMENT PRINCIPLES

A copy of the current Statement of Investment Principles (SIP) is available on Cardiff Council's website via the following link:

www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Pages/default.aspx

All LGPS funds are required to produce a SIP under the LGPS (Management and Investment of Funds) Regulations 2009. The SIP summarises the Fund's investment objectives and the policies it uses to manage investments. The regulations also require that the SIP is prepared in a format which complies with guidance issued by DCLG. This guidance currently comes from the CIPFA pension panel, which itself incorporates the six Myners principles. The SIP complies with these requirements and the Fund is compliant with each of the Myners principles.

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

INVESTMENT PERFORMANCE

INTRODUCTION

The Pension Fund's performance is very much governed by world equity markets. The year saw a contrast between continuing gains in North America and Europe and falling stock valuations in Asia and Emerging Markets. The Fund recorded a return on investments of 8.9% and total investment assets rose from £1.31 billion to £1.44 billion. However, short-term variations in values should not be given undue weight as the history of most types of investment show that there are long periods of good and poor returns. The long-term financial health of the Fund depends more on its investment returns over 10-20 years and factors such as mortality rates and contribution levels.

Distribution of investments

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

Scheme benchmark

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

FUND PERFORMANCE

During 2013/14 the overall Fund return was 8.9%, 2.7% above Fund's benchmark return of 6.2%. The fund performance can be attributed to the effects of both stock selection and asset allocation. Whilst historically asset allocation decisions generally have had a more significant impact on the absolute returns achieved by the Fund, in the short term there has been a greater impact on the Fund from the value added by individual managers from stock selection.

i) Asset Allocation

The Investment Advisory Panel recommends target allocations and ranges for each asset class, within the overall objective of a 75/25 Equities/Bonds allocation. Within Equities, the panel decided in 2011 to gradually shift the ratio of UK to overseas holdings from a 60/40 split to a more equally weighted position over time. This was achieved during 2012/13 and maintained during 2013/14.

ii) Stock Selection

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

The performance of the larger active portfolios during 2013/14 compared with their benchmarks and targets are as follows:

INVESTMENT PERFORMANCE

Manager	Mandate (target against benchmark)	Benchmark return (%)	Portfolio Target (%)	Portfolio Return (%)
Aberdeen	Global bonds (+1%)	0.4	1.4	0.1
State Street	European equities (+2%)	17.3	19.3	24.0
Nikko	Japanese equities (+3%)	-1.8	1.2	0.8
Schroders	Asia-Pacific equities (+3%)	-6.5	-3.5	-3.8
Aberdeen	Emerging markets equities (+3%)	-9.9	-6.9	-13.8
Invesco	UK equities (unconstrained)	8.8	N/A	14.1
JP Morgan	UK equities (unconstrained)	8.8	N/A	21.1
Majedie	UK equities (+2%)	8.8	10.8	21.5
Property funds	UK property	14.0	14.0	15.6
CBRE	Global property (10% absolute return)	N/A	10.0	2.5

Concerns over central banks' future monetary policies (i.e. anticipation of interest rate rises and tapering of quantitative easing) and a slowdown of economic growth in China were key drivers of market behaviour during the year. All equity markets suffered falls in stock values early in the year but whereas those of developed economies in North America and Europe recovered to reach new record highs towards the year end, recoveries in Asia and Emerging Markets were delayed and the indices for these markets showed negative returns for the year. The Fund's active equity managers all added value by outperforming their respective benchmarks, with the exception of the Emerging Markets mandate. Notably, the three active UK equity managers have all outperformed the FTSE All Share index for four consecutive years.

Although it is useful to compare the performance of managers over the past year, the investment 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. For the Fund's private equity portfolio it is only possible to make an assessment of performance over an even longer period at the end of the life of the private equity fund.

Longer Term Fund Performance

The Pension Fund's overall return is best measured over the long term. Over the last ten years the Fund's total return has returned an annualised 8.6% compared with rises of 3.3 % in the Retail Prices Index (RPI) and 2.7% in the Index of Average Weekly Earnings (AWE). Using 2013/14 as the base year, comparative returns over different periods are as follows:

	Fund % p.a.	RPI % p.a.	AWE % p.a.
1 Year (2013/14)	8.9	2.5	1.9
3 Years (2011/14)	8.7	3.1	1.0
5 Years (2009/14)	13.2	3.8	2.5
10 Years (2004/14)	8.6	3.3	2.7

ACTUARIAL STATEMENT

City and County of Cardiff

Statement of the Actuary for the year ended 31 March 2014

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date (of £1,369M) covering 82% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2014 was as set out below:

- 15.4% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
- **Plus**
- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 23 years from 1 April 2014, amounting to £16.9M in 2014/15, and increasing by 3.4% p.a. thereafter, before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 22.2% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 3.4% p.a.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt's report dated 28 March 2014 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

5. The actuarial valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

ACTUARIAL STATEMENT

Discount rate for periods in service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	3.9% p.a.
Rate of pay increases	3.4% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014.

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

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

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

Aon Hewitt Limited
May 2014

STATEMENT OF ACCOUNTS

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2014

2012/13 (Restated) £000		2013/14 £000
	CONTRIBUTIONS AND BENEFITS	
	Contributions receivable	
56,358	from employers (Note 5)	58,961
15,477	from employees (Note 5)	15,720
2,621	Transfers in	3,872
1,302	Deficit Funding (Note 5)	23,630
1,430	Other Income (Capitalised Payments and interest on deficit funding)	4,327
77,188		106,510
	Benefits Payable	
(49,833)	Pensions (Note 6)	(52,321)
(11,710)	Lump Sums (Note 6)	(16,784)
	Payments to and on account of leavers	
(2)	Refunds of contributions	(10)
(4,050)	Transfers out	(4,668)
(854)	Group Transfer Out	0
(709)	Admin & Other expenses (Note 8)	(951)
(67,158)		(74,734)
10,030	Net Additions/(Withdrawals) from dealings with Members of the Fund	31,776
	RETURNS ON INVESTMENT	
15,701	Investment Income (Note 9)	12,746
158,993	Change in market value of investments (Note 10)	104,275
(3,264)	Investment management expenses (Note 8)	(4,097)
171,430	Net Returns on Investments	112,924
181,460	Net Increase/(Decrease) in the Fund During Year	144,700
1,166,343	Opening Net Assets of the Scheme	1,347,803
1,347,803	Closing Net Assets of the Scheme	1,492,503

STATEMENT OF ACCOUNTS

NET ASSET STATEMENT AS AT 31 MARCH 2014

2012/13 (Restated) £000		2013/14 £000
1,306,525	Investments at market value (Note 10)	1,442,289
33,403	Cash & investment proceeds due (Note 10)	23,836
1,339,928		1,466,125
	Current assets	
390	UK & Overseas Tax	147
2,019	Contributions due from Employers and deficit funding	4,471
0	Investment Income accrued	0
334	Sundry Debtors (Note 14)	118
2,284	Pension Strain costs due within one year	2,733
5,027		7,469
	Non current assets	
296	Deficit funding (former employers)	18,022
3,971	Pension strain costs due after one year	4,857
4,267		22,879
	Current liabilities	
(639)	Unpaid Benefits	(2,811)
(780)	Sundry Creditors (Note 14)	(1,159)
(1,419)		(3,970)
1,347,803	Net Assets of the Scheme	1,492,503

STATEMENT OF ACCOUNTS

The Statement of Accounts of the Pension Fund on pages 13 to 30 is included in the Published Accounts of the administering authority, the City & County of Cardiff. The Audit Report therein includes the Opinion of the Appointed Auditor on the Fund.

NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2013/2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2013/2014 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits". This figure has been calculated by the Actuary as at 31 March 2013 as £2,028.8 million, with a comparator value as at the 31 March 2010 valuation of £1,950.4 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 11 and 12. This shows that the overall funding level as at 31 March 2013 is 82%.

2. Accounting Policies

(a) Basis of Preparation

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

(b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2014 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

(c) Critical judgements in applying accounting policies

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31.03.2014 was £93 million (93 million at 31.03.2013).

Pension fund liability - This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 11 and 12. This estimate is based on significant variances based on changes to the underlying assumptions.

NOTES TO THE ACCOUNTS

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Equity Valuations	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £93 million. There is a risk that this investment may be under, or overstated in the accounts.

- (e) Acquisition costs of Investments

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

3. Taxation

- (a) UK Income, Capital Gains Taxes.

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

- (b) Value Added Tax.

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

- (c) Overseas Withholding Tax.

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

4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2014 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

NOTES TO THE ACCOUNTS

5. Employing Bodies – Contributions

	No. of contributors at 31.03.14 £000	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
SCHEDULED BODIES:						
Barry Town Council	13	28.9%	0	76	17	93
Cardiff and Vale College	400	13.0%	342	1,311	466	1,777
Cardiff City Transport	46	22.3%	521	799	81	880
Cardiff Council	8,704	23.9%	13	37,444	9,888	47,332
Cardiff Metropolitan University	713	13.0%	946	3,093	1,097	4,190
Cowbridge Town Council	4	28.9%	0	19	4	23
Dinas Powys Community Council	1	18.2%	1	6	1	7
Llantwit Major Town Council	3	28.9%	0	15	3	18
Penarth Town Council	13	28.9%	0	67	14	81
Public Services Ombudsman for Wales	3	30.3%	242	279	8	287
Radyr & Morganstown Community Council	1	18.2%	1	4	1	5
St Davids Sixth Form College	21	15.8%	17	89	29	118
Stanwell School	70	15.8%	30	167	51	218
Vale Of Glamorgan Council	3,068	21.5%	6	10,799	3,152	13,951
Sub-total	13,060			54,168	14,812	68,980
ADMITTED BODIES:						
Cardiff Business Technology Centre	3	29.2%	8	22	3	25
Cardiff Gypsy & Traveller Project	1	24.0%	0	4	1	5
Cardiff Institute For The Blind	2	22.7%	63	77	4	81
Cardiff University	61	25.7%	1,391	1,775	96	1,871

NOTES TO THE ACCOUNTS

Careers Wales (Cardiff & Vale)	88	18.1%	0	393	142	535
Children In Wales	22	22.2%	0	117	34	151
Civic Trust For Wales	1	24.0%	0	9	2	11
Colleges Wales (Fforwm)	9	25.9%	18	103	23	126
Design Commission for Wales	3	22.2%	0	27	9	36
Memorial Hall	5	20.5%	0	24	8	32
Mirus Wales	6	24.0%	0	59	17	76
National Trust	15	20.7%	0	43	15	58
One Voice	2	20.0%	0	19	7	26
Play Wales	8	23.5%	0	61	17	78
Royal National Eisteddfod	10	25.3%	50	160	30	190
Sport Wales	132	21.5%	75	947	273	1,220
Wales & West Housing	1	22.7%	83	111	9	120
Welsh Council For Voluntary Action	80	22.6%	111	640	160	800
Workers Education Association	37	22.6%	0	202	58	260
Sub-total	486			4,793	908	5,701
Total	13,546			58,961	15,720	74,681

*Glamorgan Holiday Hotel is no longer an employer in the Fund and is paying the cessation payment over five years, with a further one year remaining.

Additional deficit funding

Scheme Employer	£000
Sport Wales (Voluntary)	1,000
Glamorgan Holiday Home	138
Mirus Wales (Voluntary)	175
Children in Wales (Voluntary)	5
S Wales Magistrates Courts	22,312
Total	23,630

During 2013/14 calculation of the transfer payment applicable the transfer of pension liabilities in respect of the Cardiff and Vale of Glamorgan Pension Fund for Magistrates' Courts Committees staff from the Local Government Pension Scheme (LGPS) to the Principal Civil Service Pension Scheme (PCSPS) was agreed. This resulted in a £22.312 million payable to Cardiff & Vale of Glamorgan Pension Fund, which has been accounted for in full in the deficit funding in the 2013/14 fund account. Interest of £1.725 million has been calculated as payable and will be accounted for annually over a straight line basis over 10 years.

10 annual payments of £2,403,500 are payable (£2,231,000 plus £172,500 interest) from 2013/14, with the first payment being received in April 2013. The remaining outstanding transfer payment due is shown as an asset in the net asset statement.

NOTES TO THE ACCOUNTS

6. Employing Bodies - Benefits Paid

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEDULED BODIES:				
Barry Town Council	73	0	0	0
Cardiff City Transport	2,097	335	125	0
Cardiff Council	33,725	11,310	1,102	158
Cardiff and Vale College	480	344	0	1
Cowbridge Town Council	12	24	0	0
Dinas Powys Town Council	9	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	14	0	0	0
Penarth Town Council	40	0	0	0
Probation Service	250	0	0	0
Public Services Ombudsman for Wales	177	35	0	0
Radyr & Morganstown Community Council	12	40	0	0
Royal Welsh College of Music & Drama	74	17	0	0
S Wales Magistrates Courts	242	36	0	7
St Cyres School	45	3	0	0
St Davids Sixth Form Coll	61	0	0	0
Stanwell School	31	0	0	0
Cardiff Metropolitan University (UWIC)	1,243	219	0	4
Vale of Glamorgan Council	10,083	1,843	98	47
Sub-total	48,686	14,206	1,325	217
ADMITTED BODIES:				
Cardiff Bay Arts Trust	11	0	0	0
Cardiff Bay Devt Corp	477	14	0	0
Cardiff Business Technology	12	0	0	0
Citizens Advice Bureau (Cardiff)	12	0	0	0
Cardiff Gypsy Sites	5	11	0	0
Cardiff Institute for Blind	69	5	0	0
Cardiff University	986	118	0	0
Careers Service	286	0	42	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	12	0	0	0
Citizens Advice Bureau (Vale)	10	0	0	0
Civic Trust for Wales	3	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	9	12	0	0
Colleges Wales	8	0	0	0
Glam & Gwent Hsg Assoc	56	0	0	0
Higher Ed Development Wales	3	0	0	0

NOTES TO THE ACCOUNTS

Housing for Wales	183	121	0	0
Intervol	21	0	0	0
Land Authority for Wales	297	0	0	0
National Eisteddfod	45	295	0	0
National Trust	0	9	0	0
Memorial Hall	2	23	0	0
Mirus Wales (Opportunity Housing Trust)	23	17	2	0
Play Wales	22	0	0	0
Glamorgan Holiday Hotel	53	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	709	73	0	0
STAR	6	0	0	0
Wales & West Housing Ass	137	0	0	0
Wales Youth Agency	54	0	0	0
Welsh Council for Voluntary Action	95	261	0	4
Workers Education Association	12	29	0	0
Sub-total	3,635	988	44	4
TOTAL	52,321	15,194	1,369	221

7. Membership of the Fund

Fund membership at 31 March 2014 is as follows:

Fund membership at 31 March 2014 is as follows:	2012/13	2013/14
Contributing Employers	35	33
Contributors	13,402	13,546
Pensioners	9,552	9,886
Deferred pensioners	10,658	11,534
Total membership	33,612	34,966

8. Investment and Administration Expenses

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

	2012/13 £000	2013/14 £000
Management fees	3,156	3,980
Custody fees	108	117
Sub-total	3,264	4,097
Support Service Charges	160	171
Other Administration Expenses	549	780
Sub-total	709	951
TOTAL	3,973	5,048

NOTES TO THE ACCOUNTS

9. Investment Income

	2012/13 £000	2013/14 £000
UK Fixed Interest Securities	3,472	3,802
Overseas Fixed Interest Securities	4,609	1,120
UK Equities & Private Equity Funds	2,454	2,760
Pooled investments	921	1,134
Overseas Equities (net of irrecoverable tax)	2,750	3,234
Property Unit Trust Income	1,363	619
Interest on UK cash	76	66
Securities Lending	56	11
TOTAL	15,701	12,746

10. Investments at Market Value

2012/13 (Restated) £000		2013/14 £000
46,895	UK Fixed Interest: Public Sector	46,589
8,555	Non Govt	8,051
104,574	Other (Pooled)	107,302
160,024		161,942
0	Overseas Fixed Interest: Public Sector (Pooled)	0
59,126	Other	58,120
59,126		58,120
68,120	UK quoted Equities & Convertibles	77,425
139,281	Foreign quoted Equities	157,972
75,237	UK Property Unit Trusts	79,897
282,638		315,294
93,089	Private Equity	92,925
	Pooled Funds	
400,564	UK	446,157
311,084	Overseas	367,851
711,648		814,008
	Derivatives:	
732	Forward Currency contracts	884
0	Futures	0
732		884
	Cash:	
19,483	UK	16,950
11,443	Overseas	5,190
1,745	Net investment proceeds due	812
32,671		22,952
1,339,928	TOTAL	1,466,125

NOTES TO THE ACCOUNTS

Gross purchases in the year (excluding cash) were £193.424 million, whilst sales were £152.498 million. From these a net realised profit was accrued to the Fund of £19.0 million. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

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

	Value at 31/03/13 (Restated) £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/14 £000's
Fixed Interest Securities	219,150	77,421	(67,140)	(9,369)	220,062
Equities	207,401	88,401	(70,145)	9,740	235,397
Pooled Funds	711,647	18,695	0	83,666	814,008
Property unit trusts	75,238	0	(339)	4,998	79,897
Private equity	93,089	8,907	(14,874)	5,803	92,925
Sub total	1,306,525	193,424	(152,498)	94,838	1,442,289
Forward Currency	732	1,581,563	(1,592,067)	10,656	884
Futures	0	418,215	(418,215)	0	0
Total Derivatives	732	1,999,778	(2,010,282)	10,656	884
Debtors	1,754				812
Creditors	(9)				0
Managers' Cash	7,709				9,049
Internal Cash	16,288				12,625
Currency Overlay	6,929				466
Total Cash	32,671			(1,219)	22,952
Total Cash and Investment Proceeds Due	33,403			9,437	23,836
Total	1,339,928			104,275	1,466,125

	Value at 31/03/12 £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/13 £000's
Fixed Interest Securities	191,030	70,695	(52,364)	9,789	219,150
Equities	157,579	76,165	(54,296)	27,953	207,401
Pooled Funds	625,581	15,970	(40,000)	110,096	711,647
Property unit trusts	73,094	0	(1,249)	3,393	75,238
Private equity	84,150	9,952	(11,106)	10,093	93,089
Sub total	1,131,434	172,782	(159,015)	161,324	1,306,525
Forward Currency	2,372	1,439,340	(1,438,547)	(2,433)	732
Futures	0	244,629	(244,629)	0	0
Total Derivatives	2,372	1,683,969	(1,683,176)	(2,433)	732
Debtors	1,202				1,754
Creditors	(1,199)				(9)

NOTES TO THE ACCOUNTS

Managers' Cash	14,738				7,709
Internal Cash	732				16,288
Currency Overlay	3,034				6,929
Total Cash	18,507			102	32,671
Total Cash and Investment Proceeds Due	20,879			(2,331)	33,403
Total	1,152,313			158,993	1,339,928

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £342,835. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency

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

11. Summary of Manager's Portfolio Values at 31 March 2014

	£000	% of Fund
Aberdeen Asset Management	222,365	15.2
Aberdeen Emerging Markets	51,491	3.5
Blackrock Investment Management	176,445	12.0
Invesco Perpetual	81,358	5.5
J P Morgan	62,345	4.3
Majedie	96,972	6.6
Nikko	75,354	5.1
Schroder Investment Managers	70,649	4.8
State Street Global Advisers	442,368	30.2
Property	79,897	5.4
Private Equity Managers	92,925	6.3
Mesirow currency overlay	864	0.1
Cash with custodian	467	0.1
Internally managed (Cash)	12,625	0.9
Total	1,466,125	100

NOTES TO THE ACCOUNTS

12. Financial Instruments

a) Classification of financial instruments

31/03/2013 (Restated)				31/03/2014		
Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs		Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs
£000	£000	£000	Financial assets	£000	£000	£000
219,150	0	0	Fixed Interest Securities	220,062	0	0
207,401	0	0	Equities	235,397	0	0
711,647	0	0	Pooled Funds	814,008	0	0
75,238	0	0	Property Unit Trusts	79,897	0	0
93,089	0	0	Private Equity	92,925	0	0
22,476	0	0	Derivatives	41,742	0	0
0	30,926	0	Cash	0	22,140	0
1,754	0	0	Other investments	812	0	0
0	9,294	0	Debtors	0	30,348	0
1,330,755	40,220	0		1,484,843	52,488	0
			Financial liabilities			
(21,744)	0	0	Derivatives	(40,858)	0	0
(9)	0	0	Other investments	0	0	0
0	0	(1,419)	Creditors	0	0	(3,970)
0	0	0	Borrowings	0	0	0
(21,753)	0	(1,419)		(40,858)	0	(3,970)
1,309,002	40,220	(1,419)		1,443,985	52,488	(3,970)

b) Net gains and losses on financial instruments

31/03/2013 £000	Financial Assets	31/03/2014 £000
161,324	Fair value through profit and loss	94,041
0	Loans and receivables	0
	Financial liabilities	
102	Fair value through profit and loss	4,919
(2,433)	Loans and receivables	5,315
158,993	Total	104,275

NOTES TO THE ACCOUNTS

c) Fair value of financial instruments and liabilities

31/03/2013			31/03/2014	
Carrying value £000	Fair value £000		Carrying value £000	Fair value £000
978,521	1,330,755	Financial assets		
40,220	40,220	Fair value	1,049,489	1,484,843
		Loans and receivables	52,488	52,488
1,018,741	1,370,975	Total financial assets	1,101,977	1,537,331
		Financial liabilities		
(21,753)	(21,753)	Fair value	(40,858)	(40,858)
(1,419)	(1,419)	Financial liabilities	(3,970)	(3,970)
(23,172)	(23,172)	Total financial liabilities	(44,828)	(44,828)

d) Valuation of financial instruments carried at fair value

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

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values as at 31st March 2014	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets				
Financial assets at fair value	622,610	646,877	215,356	1,484,843
Loans and receivables	52,488	0	0	52,488
Total financial assets	675,098	646,877	215,356	1,537,331
Financial liabilities				
Financial liabilities at fair value	0	0	(40,858)	(40,858)
Financial liabilities at amortised cost	(3,970)	0	0	(3,970)
Total financial liabilities	(3,970)	0	(40,858)	(44,828)
Net financial assets	671,128	646,877	174,498	1,492,503

NOTES TO THE ACCOUNTS

13. Nature and extent of risks rising from financial instruments

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

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

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

Market Risk

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

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

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

To mitigate the risk, the Fund holds a fixed interest portfolio managed by Aberdeen, the appointed active bond manager.

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

	Carrying amount as at 31.03.2014	Change in year in the net assets available to pay benefits	
Asset Type	£000	+ 100bps £000	- 100bps £000
Cash	23,836	238	(238)
Fixed interest securities	220,082	2,201	(2,201)
Total	243,918	2,439	(2,439)

NOTES TO THE ACCOUNTS

2012/13 Comparative:

	Carrying amount as at 31.03.2013	Change in year in the net assets available to pay benefits	
Asset Type	£000	+ 100bps £000	- 100bps £000
Cash	32,671	327	(327)
Fixed interest securities	219,950	2,200	(2,200)
Total	252,621	2,527	(2,527)

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

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

Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 3.09%. A 3.09% 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:

	Asset value as at 31.03.2014	Change to net assets available to pay benefits	
Currency exposure – asset type		3.09%	-3.09%
	£000	£000	£000
Overseas quoted securities	526,232	542,513	509,951
Overseas corporate bonds (quoted)	58,120	59,918	56,322
Total change in assets available	584,352	602,431	566,273

	Asset value as at 31.03.2013	Change to net assets available to pay benefits	
Currency exposure – asset type		3.20%	-3.20%
	£000	£000	£000
Overseas quoted securities	450,365	464,832	435,898
Overseas corporate bonds (quoted)	59,126	61,025	57,227
Total change in assets available	509,491	525,857	493,125

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

Price risk sensitivity analysis

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

NOTES TO THE ACCOUNTS

Asset type	Value as at 31.03.2014 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	539,453	11.42%	601,059	477,847
Overseas Equities	509,953	12.63%	574,360	445,546
Total Bonds	220,082	4.65%	230,316	209,848
Cash	23,816	0.02%	23,821	23,811
Alternatives	92,924	1.89%	81,407	78,387
Property	79,897	4.61%	97,208	88,640
Total Assets	1,466,125	8.04%	1,584,001	1,348,249

Asset type	Value as at 31.03.2013 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	468,683	12.20%	502,830	378,632
Overseas Equities	450,365	13.60%	396,122	288,736
Total Bonds	219,150	4.20%	200,192	182,730
Cash	33,403	0.00%	20,452	20,444
Alternatives	93,089	4.30%	91,976	76,324
Property	75,238	1.60%	79,451	66,647
Total Assets	1,339,928		1,291,023	1,013,513

Credit Risk

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

The Pension Fund's bank account is held with the Co-operative bank. Surplus cash is not invested with the Co-op but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2014 was 13.2 million (16.7 million at 31.03.2013). This was held with the following institutions:

	Rating	Balance at 31.03.2013 £000	Balance at 31.03.2014 £000
Money market funds		£000	£000
Ignis	AAA	16,854	13,080
Bank current account			
Co-operative	B	(123)	131
Total		16,731	13,211

Liquidity Risk

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

NOTES TO THE ACCOUNTS

14. Sundry Debtors & Creditors

	2012/13 £000	2013/14 £000
Debtors		
Pensions Administration	106	108
Miscellaneous	228	10
	334	118
Creditors		
Management & Custody Fees	(763)	(956)
Miscellaneous	(17)	(203)
	(780)	(1,159)
Total	(446)	(1,041)

15. Additional Voluntary Contributions

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

The amount of AVC contributions paid during the year amounted to £486,000 and the market value of separately invested AVC's as at 31 March 2014 was £3.368 million.

16. Commitments

As at 31 March 2014 the Fund had outstanding private equity commitments of a maximum of £48.07 million (£66.43 million at 31 March 2013).

As at 31 March 2014 the Fund had forward currency contracts amounting to £41.742 million of purchases and £40.858 million of sales, showing an unrealised gain of £884,000.

17. Securities Lending

At the year end the value of quoted equities on loan was £16.149 million (£19.531m at March 2013) in exchange for which the custodian held collateral of £17.321 million (£21.417m at March 2013). For the year ending 31st March 2014, the Fund received income of £49,091 from the lending of stock.

18. Contingent Liabilities

The Fund has no contingent liabilities.

19. Related Party Transactions

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

Other related party transactions with Cardiff Council are:

- Cash invested internally by Cardiff Council (for working capital purposes) - see note 10;
- Administration expenses charged to the Fund by the Council are shown in note 8.
- Paragraph 3.9.4.3 of the Code of Practice exempts local authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of Cardiff Council.

20. Post Balance Sheet Events

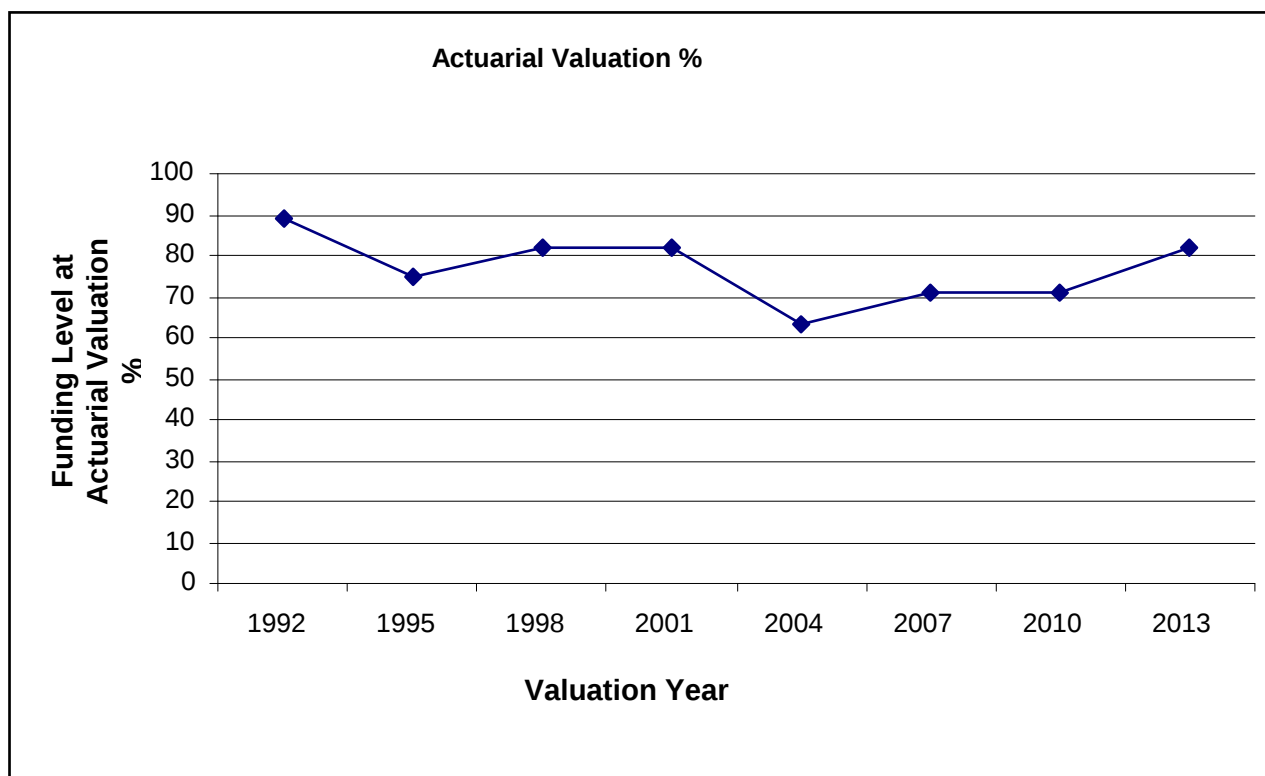
There are no post balance sheet events to report.

APPENDIX 1: INVESTMENT DATA

SUMMARY STATISTICS FOR PAST FIVE YEARS

Year End 31st March	2010	2011	2012	2013	2014
MEMBERSHIP					
Contributors	13,633	13,507	13,343	13,402	13,546
Pensioners	8,534	8,981	9,293	9,552	9,886
Deferred Pensioners	8,851	9,430	10,040	10,658	11,534
FINANCIAL DATA					
	£m	£m	£m	£m	£m
Gross Income (excl Profits on Sales)	93.3	90.9	95.4	92.9	119.2
Gross Expenditure	77.5	67.9	68.3	70.4	78.8
Net New Money	15.8	23.0	27.1	22.5	40.4
Market Value of Investments	1,027.0	1,111.2	1,150.5	1,339.9	1,466.1
PERFORMANCE					
	%	%	%	%	%
Return on Investments – 1 Year	34.3	7.7	2.4	14.9	8.9
Return on Investments – 3 Year Average	2.5	6.0	14.0	8.4	8.7
Return on Investments – 5 Year Average	8.0	4.9	3.5	7.1	13.2
Return on Investments – 10 Year Average	3.2	5.1	5.6	10.0	8.6
Increase/Decrease in Average Earnings	5.5	1.9	0.8	-0.2	1.9
Annual Pension Increase	0.0	3.1	5.2	2.2	2.7

APPENDIX 1: INVESTMENT DATA



ASSET ALLOCATION DURING PAST FIVE YEARS

Year Ended 31 March		2010	2011	2012	2013	2014
UK Equities	£m	387.9	412.4	401.3	468.7	539.4
	%	37.9	37.1	34.9	35.0	36.8
Overseas Equities	£m	301.4	343.3	342.4	450.4	510.0
	%	29.5	30.9	29.7	33.6	34.8
Global Bonds	£m	170.3	180.8	191.5	220.0	220.1
	%	16.7	16.3	16.6	16.4	15.0
Private Equity	£m	64.7	73.6	82.4	93.0	92.9
	%	6.3	6.6	7.2	6.9	6.3
Property	£m	41.0	45.9	73.1	75.2	79.9
	%	4.0	4.1	6.4	5.6	5.5
Cash	£m	15.0	15.0	20.4	33.2	23.8
	%	1.5	1.4	1.8	2.5	1.6
Active Currency	£m	42.1	40.2	39.4	0	0
	%	4.1	3.6	3.4	0	0
Total Value	£m	1022.4	1111.2	1150.5	1340.5	1466.1
	%	100	100	100	100	100

APPENDIX 1: INVESTMENT DATA

TEN LARGEST HOLDINGS BY MARKET VALUE AS AT 31 MARCH 2014			
	Country	Value £m	% of the Fund
EQUITIES			
Royal Dutch Shell	UK	8.6	0.6
BP	UK	7.3	0.5
Glaxosmithkline	UK	5.6	0.4
Astrazeneca	UK	4.0	0.3
Vodafone	UK	3.9	0.3
Centrica	UK	3.7	0.3
BT Group	UK	2.9	0.2
Toyota Motor Corporation	Japan	2.8	0.2
BAE Systems	UK	2.8	0.2
Marks & Spencer	UK	2.8	0.2
POOLED FUNDS			
Blackrock Aquila Life UK Equities Indexed		176.4	12.0
SSGA MPF Europe ex UK Equities Active		167.1	11.4
SSGA MPF North American Equities Indexed		149.2	10.2
SSGA MPF UK Equities Indexed		126.0	8.6
Aberdeen Sterling Credit Bonds		84.0	5.7
Invesco Perpetual Income Fund		81.4	5.6
JP Morgan UK Dynamic Fund		62.3	4.2
Aberdeen Global Government Bonds		54.9	3.7
Aberdeen Global Emerging Markets Equities		51.5	3.5
CB Richard Ellis Global Alpha Fund		28.1	1.9

FURTHER INFORMATION

GLOSSARY

Active / Passive Management

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

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

Actuary

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

Asset Allocation

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

CIPFA

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

Custodian

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

DCLG

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

Derivative

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

Emerging Markets

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

FURTHER INFORMATION

Equities

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

Fixed Interest Securities/Bonds

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

Fund of Funds

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

LGPS

The Local Government Pension Scheme.

Myners Principles

The six principles which a LGPS Fund must comply with in its SIP:

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

Pooled Funds

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

Portfolio

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

Private Equity

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

FURTHER INFORMATION

Return

The total gain from holding an investment, including both income and any increase / 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.

SIP

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

FURTHER INFORMATION

Details of membership of the LGPS are provided by individual employers to all relevant employees on appointment. Further information regarding the scheme can also be found on the LGPS website (www.lgps.org.uk). Any significant changes to the scheme are communicated to members by newsletter.

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

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

The Fund's Annual Report, Statement of Investment Principles, Funding Strategy Statement and Communication and Governance Statement are published on Cardiff Council's website <https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Pages/default.aspx>. Paper copies are available on request.

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

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

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

Telephone enquiries should be directed as follows:

Scheme Management & Investments:	(029) 20 872975	Gareth Henson	(Pensions Manager)
Benefits Team: (Pensioners & Retirements)	(029) 20 872331	Karen O'Donoghue-Harris	(Senior Pensions Officer)
Member Services Team: (Active & Deferred Members)	(029) 20 872343	Nicola Cumper	(Senior Pensions Officer)
Fund Accounting:	(029) 20 872212	Owen James	(Group Accountant)