

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

**ANNUAL REPORT
&
ACCOUNTS**

2014/2015

SUMMARY AND CONTENTS

EXECUTIVE SUMMARY

- The total value of the Fund continues to rise and has now reached £1.68 billion as at 31 March 2015, an increase on the previous year end valuation of £1.49 billion.
- Equity markets continued to be positive over the past twelve months and the Fund achieved a return on investments for 2014/15 of 12.6% (net of fees), 0.5% above the benchmark return of 12.1%.
- The Fund remains in a positive cashflow position in terms of contributions received and benefits paid, with a net addition of £3.9million.
- The number of active members in the fund rose by 1.5% to over 14,000 whilst the number of pensioners rose by 3.3%, exceeding 10,000 for the first time this year.
- At the most recent actuarial valuation, as at 31 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

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

The Pension Fund's assets grew by 12.5% during 2014/15, from £1.49 billion to £1.68 billion. Despite periods of volatility, global equity markets performed well over the year with growth in asset values exceeding 20% in sterling terms in some overseas regions. The Fund has benefitted from the agreement of the Investment Advisory Panel to increase the proportion of assets invested overseas. The continuing low interest rates remain a concern while Fund liabilities are also estimated to have increased since the 2013 valuation. The next valuation will take place in 2016.

New regulations for the LGPS were introduced on 1 April 2014. The scheme is now a Career Average Revalued Earnings (CARE) arrangement which is linked to the State Pension Age, although benefits earned prior to that date are protected and will continue to be based on the member's service up to 31 March 2014 and final salary on retirement.

During the past year the Department for Communities and Local Government (DCLG) has continued to consult on issues affecting the governance and structure of the LGPS. In May and June 2014 consultations were issued on collaborative investments and draft regulations on scheme governance. Whilst the government has not made any further announcements in response to the consultation on investments, the governance regulations were finalised in January 2015. The regulations require each LGPS administering authority to establish a Local Pension Board in compliance with the Public Services Pensions Act 2013.

The City of Cardiff Council established its Local Pension Board on 29th January 2015. The Board comprises three employer representatives, three scheme member representatives and an independent (non-voting) chair. The Board's role is to assist the Council in securing compliance with the LGPS regulations and related legislation. Information about the Board's membership and activities will be made available via the Council web site.

Despite these changes, the Fund's key objective continues to be to provide pensions effectively and efficiently, with the aim of minimising the burden on contributing employers over the long term.

Christine Salter
Corporate Director Resources
June 2015

MEMBERS & ADVISERS

SCHEME MANAGEMENT AND ADVISERS

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 31 March 2015 were:

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

Investment Managers

Global Bonds	- Aberdeen Asset Management
Indexed UK Equities	- BlackRock Investment Management
Indexed UK and USA Equities	- State Street Global Advisors
Active UK Equities	- Invesco Perpetual
	- JP Morgan
	- Majedie Asset Management
Active Europe ex-UK Equities	- State Street Global Advisors
Active Asia-Pacific Equities	- Schroders Investment Management
Active Japanese equities	- Nikko Asset Management
Emerging Market Equities	- Aberdeen Asset Management
Currency Management	- Mesirow
Private Equity	- Capital Dynamics
	- Harbourvest
	- Pantheon
UK Property	- BlackRock
	- Schroders
	- Standard Life
	- UBS
Global Property	- CB Richard Ellis

Professional Advisers

The Fund's professional advisers during the year were:

Actuaries	Aon Hewitt Limited
Auditor	Auditor General for Wales
Bankers	Lloyds Bank plc
Custodian	The Northern Trust Company
Performance Reporting	State Street Global Services
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
AVC Provider	Prudential Assurance

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 teachers, for whom separate arrangements exist, and the Regulations specify that employees of certain other bodies have the same rights of membership as local authority employees. Power is also given to admit employees of other bodies which provide public services.

The table below summarises the number of active and ceased employers in the Fund:

	Active	Ceased	Total
Scheduled body	17	12	29
Admitted body	19	23	42
Total	36	35	71

Although responsible for administering the Fund, City of Cardiff Council has exactly the same relationship with the Fund as all 36 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 2014/15 the nationally set employee rates ranged between 5.5% and 12.5% of pay depending on the member's total pensionable 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.

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 2014/15 was 2.7% and the increase for 2015/16 will be 1.2%.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Prudential Assurance continues as the AVC provider for the Fund. During 2014/15 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>

DEVELOPMENTS IN 2014/15

The new Scheme Regulations for membership, contributions and benefits came into force on 1 April 2014. The main change is a move from a final salary to a career average scheme although accrued benefits up to 31 March 2014 are 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.

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 issued a consultation on draft regulations for setting up a local Pension Board and issued the final regulations in January 2015. City of Cardiff Council established the Local Pension Board for the Fund on 29 January and appointments to the Board were made in June and July.

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/pensions.

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 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

INVESTMENT MANAGEMENT

returns. Management fees for 2014/15 were £4.85million (£3.98million in 2013/14). Custodian fees for the year amounted to £124,000 (£117,000 in 2013/14).

The Fund employs State Street Global Services (formerly 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/pensions

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. All regions showed significant returns over the year although there were marked differences across regions, ranging from over 25% in Japan and North America to just 6% in the UK. The Fund recorded a return on investments of 12.6% and total investment assets rose from £1.47 billion to £1.65 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 2014/15 the overall Fund return was 12.6%, 0.5% above the Fund's benchmark return of 12.1%. 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.

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.

INVESTMENT PERFORMANCE

The performance of the active portfolios during 2014/15 compared with their benchmarks and targets was as follows:

Manager	Mandate (target against benchmark)	Benchmark return (%)	Portfolio Target (%)	Portfolio Return (%)
Aberdeen	Global bonds (+1%)	11.6	12.6	10.0
State Street	European equities (+2%)	7.5	9.5	6.7
Nikko	Japanese equities (+3%)	25.6	28.6	25.4
Schroders	Asia-Pacific equities (+3%)	20.0	23.0	20.1
Aberdeen	Emerging markets equities (+3%)	13.2	16.2	13.8
Invesco	UK equities (unconstrained)	6.6	N/A	16.2
JP Morgan	UK equities (unconstrained)	6.6	N/A	8.5
Majedie	UK equities (+2%)	6.6	8.6	7.3
UK Property Funds (4)	UK property	16.6	16.6	16.8
CBRE	Global property (10% absolute return)	N/A	10.0	13.1

Whilst UK equities only returned 6.6%, as investors anticipated political instability following the May 2015 general election, all three UK active managers outperformed the market, two of the three by a significant margin. This is now the fifth consecutive year in which the Fund has gained from active management of UK equities.

Returns from European Equities, although positive, were disappointing relative to other overseas regions and the manager underperformed the index in an environment in which political and macroeconomic concerns outweighed consideration of companies' fundamental characteristics. Investor sentiment also drove the strong market returns in Japan and the rest of Asia-Pacific and the Fund's returns were very close to the benchmarks.

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 past ten years the Fund's total return has returned an annualised 8.7% compared with rises of 3.0 % in the Retail Prices Index (RPI) and 2.7% in the Index of Average Weekly Earnings (AWE). Using 2014/15 as the base year, comparative returns over different periods are as follows:

	Fund % p.a.	RPI % p.a.	AWE % p.a.
1 Year (2014/15)	12.6	0.9	4.4
3 Years (2012/15)	12.1	2.2	1.9
5 Years (2010/15)	9.3	3.1	1.9
10 Years (2005/15)	8.7	3.0	2.7

AUDITOR'S STATEMENT

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

I have examined the pension fund accounts and related notes contained in the 2014-15 Annual Report of Cardiff and Vale of Glamorgan Pension Fund to establish whether they are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by the City of Cardiff Council for the year ended 31 March 2015 which were authorised for issue on 29 September 2015. The pension fund accounts comprise the Fund Account and the Net Assets Statement.

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

The Administering Authority, City of Cardiff Council, is responsible for preparing the Annual Report. My responsibility is to report my opinion on the consistency of the pension fund accounts and related notes contained in the Annual Report with the pension fund accounts and related notes included in the Statement of Accounts of the Administering Authority. I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the pension fund accounts. I conducted my work based on the requirements of Bulletin 2008/3 issued by the Financial Reporting Council. My report on the pension fund accounts and related notes included in the Statement of Accounts produced by the City of Cardiff Council describes the basis of my opinion on those accounts.

Opinion

In my opinion the pension fund accounts and related notes included in the Annual Report of Cardiff and the Vale of Glamorgan Pension Fund are consistent with the pension fund accounts and related notes included in the Statement of Accounts produced by the City of Cardiff Council for the year ended 31 March 2015 which were authorised for issue on 29 September 2015 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 authority's Statement of Accounts, 29 September 2015, and the date of this statement.

Anthony Barrett

**For and on behalf of:
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff CF11 9LJ
4 November 2015**

The maintenance and integrity of the Council's website is the responsibility of the Accounting Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

ACTUARIAL STATEMENT

Actuarial Statement

Cardiff and Vale of Glamorgan Pension Fund

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 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 in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2014 was:
 - 15.4% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
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 was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, is 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.

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.

ACTUARIAL STATEMENT

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. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 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.

The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20Valuation%20Report%20-%2031%20March%202013.pdf>

Aon Hewitt Limited
May 2015

STATEMENT OF ACCOUNTS

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2015

2013/14 £000		2014/15 £000
	CONTRIBUTIONS AND BENEFITS	
	Contributions receivable	
58,961	from employers (note 5)	58,471
15,720	from employees (note 5)	16,026
3,872	Transfers in	2,978
23,630	Deficit Funding (note 5)	0
4,327	Other Income (Capitalised Payments and interest on deficit funding)	5,134
106,510		82,609
	Benefits Payable	
(52,321)	Pensions (note 6)	(55,983)
(16,784)	Lump Sums (note 6)	(19,439)
	Payments to and on account of leavers	
(10)	Refunds of contributions	(76)
(4,668)	Transfers out	(3,204)
(73,783)		(78,702)
	Net Additions/(Withdrawals) from	
32,727	dealings with Members of the Fund	3,907
	RETURNS ON INVESTMENT	
12,746	Investment Income (note 9)	17,388
104,275	Change in market value of investments (note 10)	171,478
(5,048)	Management expenses (note 8)	(5,759)
111,973	Net Returns on Investments	183,107
144,700	Net Increase/(Decrease) in the Fund During Year	187,014
1,347,803	Opening Net Assets of the Scheme	1,492,503
1,492,503	Closing Net Assets of the Scheme	1,679,517

STATEMENT OF ACCOUNTS

NET ASSET STATEMENT AS AT 31 MARCH 2015

2013/14 £000		2014/15 £000
1,442,289	Investments at market value (note 10)	1,616,090
23,836	Cash & investment proceeds due (note 10)	37,061
1,466,125		1,653,151
	Current assets	
147	UK & Overseas Tax	121
4,471	Contributions due from Employers and deficit funding	4,488
118	Sundry Debtors (note 14)	793
2,733	Pension Strain costs due within one year	3,078
7,469		8,480
	Non current assets	
18,022	Deficit funding (former employers)	15,618
4,857	Pension strain costs due after one year	6,253
22,879		21,871
	Current liabilities	
(2,811)	Unpaid Benefits	(3,055)
(1,159)	Sundry Creditors (note 14)	(930)
(3,970)		(3,985)
1,492,503	Net Assets of the Scheme	1,679,517

NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2014/2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2014/2015 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 10 and 11. 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 2015 (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 March 2015 was **£87 million** (£93 million at 31 March 2014).

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 10 and 11. 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 £87 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 2015 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 31.03.15	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
SCHEDULED BODIES:						
Barry Town Council	13	27.0%	0	74	18	92
Cardiff and Vale College	371	13.6%	259	1,254	464	1,718
Cardiff City Transport	30	25.4%	480	729	65	794
City of Cardiff Council	9,160	22.9%	0	35,608	9,791	45,399
Cardiff Metropolitan University	767	13.6%	527	3,108	1,288	4,396
Cowbridge Town Council	4	27.0%	0	18	4	22
Dinas Powys Community Council	1	27.0%	0	7	1	8
Lisvane Community Council	1	27.0%	0	1	0	1
Llantwit Major Town Council	4	27.0%	0	18	4	22
Penarth Town Council	14	27.0%	0	73	17	90
Penllyn Community Council	1	27.0%	0	1	0	1
Public Services Ombudsman for Wales	3	32.3%	254	290	9	299
Radyr & Morganstown Community Council	1	27.0%	0	6	1	7
St David's Sixth Form College	37	13.6%	14	114	47	161
Stanwell School	75	16.4%	13	167	55	222
Vale Of Glamorgan Council	3,191	22.7%	0	12,037	3,332	15,369
Wenvoe Community Council	1	27.0%	0	2	0	2
Sub-total	13,674			53,507	15,096	68,603
ADMITTED BODIES:						
Cardiff Business Technology Centre	3	28.7%	0	14	3	17
Cardiff Gypsy & Traveller Project	1	23.4%	3	8	1	9
Cardiff Institute For The Blind	2	20.6%	57	66	3	69
Cardiff University	57	27.3%	1,300	1,684	89	1,773
Careers Wales (Cardiff & Vale)	84	18.1%	0	397	138	535
Children In Wales	22	24.7%	0	142	38	180
Civic Trust For Wales	0	23.4%	4	4	0	4
Colleges Wales	6	19.8%	9	67	23	90
Design Commission for Wales	4	20.3%	0	30	12	42
Memorial Hall	4	17.8%	0	17	6	23
Mirus Wales	6	23.4%	0	56	20	76
National Trust	11	20.7%	0	43	13	56
One Voice	2	19.4%	3	19	8	27
Play Wales	5	24.0%	4	57	17	74

NOTES TO THE ACCOUNTS

	No. of contributors at 31.03.15	Contribution rates (% of pensionable pay)	Additional lump sum (memo)	Employers	Employees	Total
Royal National Eisteddfod	12	25.5%	32	142	33	175
Sport Wales	131	20.2%	500	1,323	286	1,609
Wales & West Housing	1	20.6%	102	139	16	155
Welsh Council For Voluntary Action	73	21.4%	43	500	149	649
Workers Education Association	47	22.3%	5	256	75	331
Sub-total	471			4,964	930	5,894
Total	14,145			58,471	16,026	74,497

Additional deficit funding

There was no additional deficit funding in 2014/15

6. Employing Bodies - Benefits Paid

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEDULED BODIES:				
Barry Town Council	77	14	0	0
Cardiff City Transport	2,228	1,012	8	0
City of Cardiff Council	36,222	11,070	1,147	337
Cardiff and Vale College	562	211	0	0
Cardiff Metropolitan University	1,373	657	0	0
Cowbridge Town Council	11	0	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	42	5	0	0
Probation Service	250	8	0	0
Public Services Ombudsman for Wales	182	75	0	0
Radyr & Morganstown Community Council	17	0	0	0
Royal Welsh College of Music & Drama	76	0	0	0
S Wales Magistrates Courts	316	348	0	34
St Cyres School	47	14	0	0
St David's Sixth Form College	63	32	0	0
Stanwell School	43	102	0	17
Vale of Glamorgan Council	10,497	3,066	319	97
Sub-total	52,047	16,614	1,474	485
ADMITTED BODIES:				
Cardiff Bay Arts Trust	11	0	0	0
Cardiff Bay Development Corp	489	15	0	0

NOTES TO THE ACCOUNTS

	Retirement Pensions	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
Cardiff Business Technology Centre	12	0	0	0
Cardiff Gypsy & Traveller Project	11	0	0	0
Cardiff Institute for Blind	71	0	0	0
Cardiff University	1,014	156	61	10
Careers Wales (Cardiff & Vale)	293	87	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	13	0	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	10	11	0	0
Civic Trust for Wales	16	33	0	0
Colleges Wales	49	180	0	0
Design Commission for Wales	3	0	0	0
Dimensions	9	0	0	0
Glam & Gwent Housing Assoc	58	0	0	0
Glamorgan Holiday Hotel	54	0	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	196	0	0	0
Intervol	22	0	0	0
Land Authority for Wales	318	22	0	0
National Eisteddfod	76	3	0	0
National Trust				
Memorial Hall	3	75	0	0
Mirus Wales (Opportunity Housing Trust)	22	0	0	0
Play Wales	20	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	757	163	3	6
STAR	7	0	0	0
Wales & West Housing	139	7	0	0
Wales Youth Agency	55	0	0	0
Welsh Council for Voluntary Action	164	27	7	0
Workers Education Association	14	0	0	0
Sub-total	3,936	779	71	16
TOTAL	55,983	17,393	1,545	501

NOTES TO THE ACCOUNTS

7. Membership of the Fund

Fund membership at 31 March 2015 is as follows:

	2013/14 Restated	2014/15
Contributing Employers	35	33
Contributors	13,922	14,145
Pensioners	9,866	10,194
Deferred pensioners	11,335	11,893
Total membership	35,123	36,232

8. Management Expenses

Management Expenses fully charged to the Fund are:

	2013/14 £000	2014/15 £000
Administration Costs	951	789
Investment Management Expenses	3,980	4,846
Oversight & Governance Costs	117	124
TOTAL	5,048	5,759

9. Investment Income

	2013/14 £000	2014/15 £000
UK Fixed Interest Securities	3,802	5,277
Overseas Fixed Interest Securities	1,120	2,345
UK Equities & Private Equity Funds	2,760	3,105
Pooled investments	1,134	1,278
Overseas Equities (net of irrecoverable tax)	3,234	3,682
Property Unit Trust Income	619	1,529
Interest on UK cash	66	75
Securities Lending	11	97
TOTAL	12,746	17,388

NOTES TO THE ACCOUNTS

10. Investments at Market Value

2013/14 £000		2014/15 £000
	UK Fixed Interest:	
46,589	Public Sector	53,976
8,051	Non Govt	0
107,302	Other (Pooled)	129,201
161,942		183,177
	Overseas Fixed Interest:	
0	Public Sector (Pooled)	0
58,120	Other	61,913
58,120		61,913
77,425	UK quoted Equities & Convertibles	101,886
157,972	Foreign quoted Equities	174,678
79,897	UK & Global Property (Pooled)	99,211
315,294		375,775
92,925	Private Equity	87,433
	Pooled Funds	
446,157	UK	484,258
367,851	Overseas	423,534
814,008		907,792
884	Derivatives: Forward Currency contracts	(2,209)
	Cash:	
16,950	UK	24,110
5,190	Overseas	13,559
812	Net investment proceeds due	1,601
22,952		39,270
1,466,125	TOTAL	1,653,151

Gross purchases in the year (excluding cash and forward currency) were £146.615 million, whilst sales were £141.299 million. From these a net realised profit was accrued to the Fund of £16.0 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.

NOTES TO THE ACCOUNTS

	Value at 31/03/14	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/15
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	220,062	65,699	(57,319)	16,648	245,090
Equities	235,397	66,497	(59,102)	33,772	276,564
Pooled Funds	814,008	784	0	93,000	907,792
Property unit trusts	79,897	5,779	0	13,535	99,211
Private equity	92,925	7,856	(24,878)	11,530	87,433
Sub total	1,442,289	146,615	(141,299)	168,485	1,616,090
Forward Currency	884	2,089,769	(2,098,490)	5,628	(2,209)
Futures	0	286,496	(286,496)	0	0
Total Derivatives	884	2,376,265	(2,384,986)	5,628	(2,209)
Debtors	812				1,742
Creditors	0				(141)
Managers' Cash	9,049				7,700
Internal Cash	12,625				24,110
Currency Overlay	466				5,859
Total Cash	22,952			(2,635)	39,270
Total Cash and Investment Proceeds Due	23,836			2,993	37,061
Total	1,466,125			171,478	1,653,151

Comparative Data for 2013/14	Value at 31/03/13	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/14
	£000's	£000's	£000's	£000's	£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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £298,009. 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.

NOTES TO THE ACCOUNTS

Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency

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

11. Summary of Manager's Portfolio Values at 31 March 2015

	£000	% of Fund
Aberdeen Asset Management	244,159	14.8
Aberdeen Emerging Markets	58,585	3.5
Blackrock Investment Management	188,209	11.4
Invesco Perpetual	93,847	5.7
J P Morgan	67,775	4.1
Majedie	104,072	6.3
Nikko	94,447	5.7
Schroder Investment Managers	84,854	5.1
State Street Global Advisers	499,375	30.2
Property	99,210	6.0
Private Equity Managers	87,433	5.3
Mesirow currency overlay & cash with custodian	7,074	0.4
Internally managed (Cash)	24,111	1.5
Total	1,653,151	100

NOTES TO THE ACCOUNTS

12. Financial Instruments

a) Classification of financial instruments

31/03/2014				31/03/2015		
Fair Value through profit and loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Costs £000		Fair Value through profit and loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Costs £000
			Financial assets			
220,062	0	0	Fixed Interest Securities	245,090	0	0
235,397	0	0	Equities	276,564	0	0
814,008	0	0	Pooled Funds	907,792	0	0
79,897	0	0	Property Unit Trusts	99,211	0	0
92,925	0	0	Private Equity	87,433	0	0
41,742	0	0	Derivatives	156,416	0	0
0	22,140	0	Cash	0	37,669	0
812	0	0	Other investments	1,601	0	0
0	30,348	0	Debtors	0	30,351	0
1,484,843	52,488	0		1,774,107	68,020	0
			Financial liabilities			
(40,858)	0	0	Derivatives	(158,625)	0	0
0	0	0	Other investments	0	0	0
0	0	(3,970)	Creditors	0	0	(3,985)
0	0	0	Borrowings	0	0	0
(40,858)	0	(3,970)		(158,625)	0	(3,985)
1,443,985	52,488	(3,970)		1,615,482	68,020	(3,985)

b) Net gains and losses on financial instruments

31/03/2014 £000		31/03/2015 £000
	Financial Assets	
94,041	Fair value through profit and loss	289,262
0	Loans and receivables	0
	Financial liabilities	
4,919	Fair value through profit and loss	(117,769)
5,315	Loans and receivables	(15)
104,275	Total	171,478

NOTES TO THE ACCOUNTS

c) Fair value of financial instruments and liabilities

31/03/2014			31/03/2015	
Carrying value	Fair value		Carrying value	Fair value
£000	£000		£000	£000
		Financial assets		
1,049,489	1,484,843	Fair value	1,069,969	1,774,107
52,488	52,488	Loans and receivables	68,020	68,020
1,101,977	1,537,331	Total financial assets	1,137,989	1,842,127
		Financial liabilities		
(40,858)	(40,858)	Fair value	(158,625)	(158,625)
(3,970)	(3,970)	Financial liabilities	(3,985)	(3,985)
(44,828)	(44,828)	Total financial liabilities	(162,610)	(162,610)

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 2015	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value	699,914	729,532	344,661	1,774,107
Loans and receivables	68,020	0	0	68,020
Total financial assets	767,934	729,532	344,661	1,842,127
Financial liabilities				
Financial liabilities at fair value	0	0	(158,625)	(158,625)
Financial liabilities at amortised cost	(3,985)	0	0	(3,985)
Total financial liabilities	(3,985)	0	(158,625)	(162,610)
Net financial assets	763,949	729,532	186,036	1,679,517

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.

NOTES TO THE ACCOUNTS

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

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

Market Risk

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

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

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

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

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

Asset Type	Carrying amount as at 31.03.2015	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,061	371	(371)
Fixed interest securities	245,090	2,451	(2,451)
Total	282,151	2,822	(2,822)

NOTES TO THE ACCOUNTS

2013/14 Comparative:

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

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

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

Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 3.49%. A 3.49% 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 31.03.2015	Change to net assets available to pay benefits	
		3.49%	-3.49%
	£000	£000	£000
Overseas quoted securities	616,984	638,493	595,476
Total change in assets available	616,984	638,493	595,476

Currency exposure – asset type	Asset value as at 31.03.2014	Change to net assets available to pay benefits	
		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

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

Price risk sensitivity analysis

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

NOTES TO THE ACCOUNTS

Asset type	Value as at 31.03.2015 £000	Percentage change %	Value on increase £000	Value on Decrease £000
Total Assets	1,653,151	6.65%	1,763,086	1,543,216
UK Equities	586,144	9.73%	643,176	529,112
Overseas Equities	598,212	9.68%	656,119	540,305
Total Bonds	245,090	3.78%	254,354	235,826
Cash	37,061	0.01%	37,065	37,057
Alternatives	87,433	2.25%	101,443	96,979
Property	99,211	3.35%	90,362	84,504

Asset type	Value as at 31.03.2014 £000	Percentage change %	Value on increase £000	Value on Decrease £000
Total Assets	1,466,125	8.04%	1,584,001	1,348,249
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

Credit Risk

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

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with the Lloyds bank but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2015 was £24.6 million (£13.2 million at 31.03.2014). This was held with the following institutions:

	Rating	Balance at 31.03.2014 £000	Balance at 31.03.2015 £000
Money market funds			
Ignis	AAA	13,080	12,000
Deutsche	AAA	0	12,000
Blackrock	AAA	0	650
Bank current account			
Lloyds Bank	A	0	6
Co-operative	A-	131	0
Total		13,211	24,656

Liquidity Risk

Liquidity risk represents the possibility that the Fund may not have funds available to meet its financial obligations. The current position of the fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Pension Fund's cash is

NOTES TO THE ACCOUNTS

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

14. Sundry Debtors & Creditors

	2013/14 £000	2014/15 £000
Debtors		
Pensions Administration	108	26
Miscellaneous	10	767
	118	793
Creditors		
Management & Custody Fees	(956)	(899)
Miscellaneous	(203)	(31)
	(1,159)	(930)
Total	(1,041)	(137)

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 £415,000 and the market value of separately invested AVC's as at 31 March 2015 was £3.167 million.

16. Commitments

As at 31 March 2015 the Fund had outstanding private equity commitments of a maximum of £40.57 million (£48.07 million at 31 March 2014).

As at 31 March 2015 the Fund had forward currency contracts amounting to £154.91 million of purchases and £157.12 million of sales, showing an unrealised gain of £2.21 million.

17. Securities Lending

At the year end the value of quoted equities on loan was £38.00 million (£16.15 million at March 2014) in exchange for which the custodian held collateral of £40.35 million (£17.32 million at March 2014). For the year ending 31 March 2015, the Fund received income of £131,025 from the lending of stock.

18. Contingent Liabilities

The Fund has no contingent liabilities.

19. Related Party Transactions

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

Other related party transactions with the Council are:

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

20. Post Balance Sheet Events

There are no post balance sheet events to report.

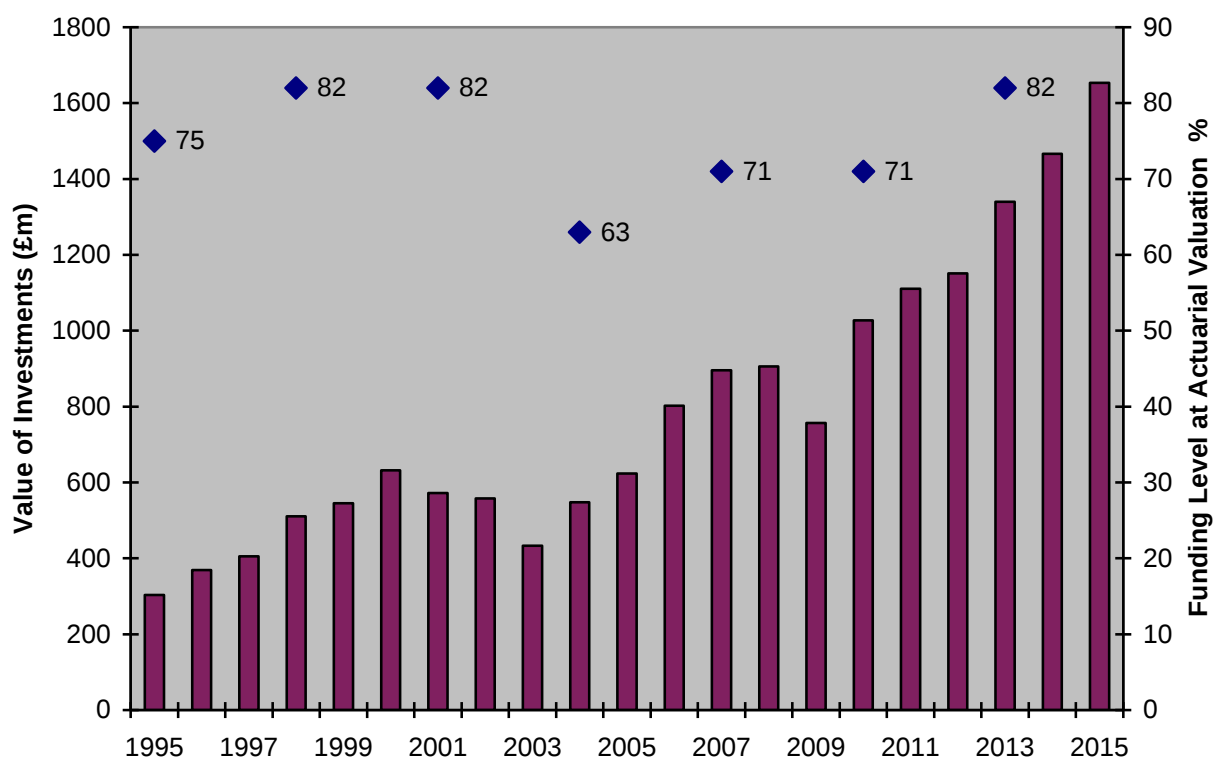
APPENDIX 1: INVESTMENT DATA

SUMMARY STATISTICS FOR PAST FIVE YEARS

Year End 31st March	2011	2012	2013	2014	2015
MEMBERSHIP					
Contributors	13,507	13,343	13,402	13,922	14,145
Pensioners	8,981	9,293	9,552	9,866	10,194
Deferred Members	9,430	10,040	10,658	11,335	11,893
FINANCIAL DATA					
	£m	£m	£m	£m	£m
Gross Income (excl Profits on Sales)	90.9	95.4	92.9	119.2	100.0
Gross Expenditure	67.9	68.3	70.4	78.8	84.5
Net New Money	23.0	27.1	22.5	40.4	15.5
Market Value of Investments	1,111.2	1,150.5	1,339.9	1,466.1	1,653.2
INVESTMENT PERFORMANCE					
	%	%	%	%	%
Return on Investments – 1 Year	7.7	2.4	14.9	8.9	12.6
Return on Investments – 3 Year Average	6.0	14.0	8.4	8.7	12.1
Return on Investments – 5 Year Average	4.9	3.5	7.1	13.2	9.3
Return on Investments – 10 Year Average	5.1	5.6	10.0	8.6	8.7
Increase/Decrease in Average Earnings	2.7	1.3	-0.4	1.7	4.4
Annual Pension Increase (applied the following April)	3.1	5.2	2.2	2.7	1.2

APPENDIX 1: INVESTMENT DATA

20 YEAR INVESTMENT MARKET VALUES



ASSET ALLOCATION DURING PAST FIVE YEARS

Year Ended 31 March		2011	2012	2013	2014	2015
UK Equities	£m	412.4	401.3	468.7	539.4	588.4
	%	37.1	34.9	35.0	36.8	35.6
Overseas Equities	£m	343.3	342.4	450.4	510.0	602.9
	%	30.9	29.7	33.6	34.8	36.5
Global Bonds	£m	180.8	191.5	220.0	220.1	244.1
	%	16.3	16.6	16.4	15.0	14.8
Private Equity	£m	73.6	82.4	93.0	92.9	87.4
	%	6.6	7.2	6.9	6.3	5.3
Property	£m	45.9	73.1	75.2	79.9	99.2
	%	4.1	6.4	5.6	5.5	6.0
Cash	£m	15.0	20.4	33.2	23.8	31.2
	%	1.4	1.8	2.5	1.6	1.9
Active Currency	£m	40.2	39.4	0.0	0.0	0.0
	%	3.6	3.4	0.0	0.0	0.0
Total Value	£m	1,111.2	1,150.5	1,340.5	1,466.1	1,653.2
	%	100	100	100	100	100

APPENDIX 1: INVESTMENT DATA

TEN LARGEST HOLDINGS BY MARKET VALUE AS AT 31 MARCH 2015			
	Country	Value £m	% of the Fund
EQUITIES (DIRECTLY OWNED)			
Vodafone Group	UK	5.8	0.3
BP	UK	5.3	0.3
HSBC Holdings	UK	5.0	0.3
GlaxoSmithKline	UK	4.7	0.3
Marks & Spencer	UK	4.2	0.3
Toyota Motor Corporation	Japan	4.0	0.2
Barclays	UK	3.6	0.2
Sony Corporation	Japan	3.4	0.2
BT Group	UK	3.3	0.2
Orange	France	3.3	0.2
POOLED FUNDS			
BlackRock Aquila Life UK Equities Indexed		188.2	11.3
SSGA MPF North American Equities Indexed		186.7	11.2
SSGA MPF Europe ex UK Equities Active		178.3	10.7
SSGA MPF UK Equities Indexed		134.4	8.1
Invesco Perpetual Income Fund		93.8	5.7
Aberdeen Sterling Credit Bonds		91.7	5.5
JP Morgan UK Dynamic Fund		67.8	4.1
Aberdeen Global Government Bonds		61.8	3.7
Aberdeen Global Emerging Markets Equities		58.9	3.5
CB Richard Ellis Global Alpha Fund		33.6	2.0

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.

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

FURTHER INFORMATION

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.

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.

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 www.cardiff.gov.uk/pensions. Paper copies are available on request.

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

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

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

Telephone enquiries should be directed as follows:

Scheme Management & Investments:	(029) 2087 2975	Gareth Henson	(Pensions Manager)
Pensions Administration	(029) 2087 2330	Gerry Kiddie	(Principal Pensions Officer)
Benefits Team: (Pensioners & Retirements)	(029) 2087 2331	Karen O'Donoghue-Harris	(Senior Pensions Officer)
Member Services Team: (Active & Deferred Members)	(029) 2087 2343	Nicola Cumper	(Senior Pensions Officer)
Fund Accounting:	(029) 2087 2212	Robert Green	(Group Accountant)

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