

Rhondda Cynon Taf Pension Fund Statement of Account

2024/25

Pension Fund Accounts

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Rhondda Cynon Taf Pension Fund Accounts

Introduction

The Rhondda Cynon Taf Pension Fund was established with effect from 1st April 1996, upon the reorganisation of Local Government in Wales under the Local Government Pension Scheme (Local Government Reorganisation in Wales) Regulations, 1995. The Local Government Pension Scheme (LGPS) is open to all employees in Local Government apart from teachers, who have their own scheme. It is also open to employees of other organisations that have been accepted into the Fund.

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with employees from around 70 other bodies. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2024/25 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Deputy Chief Executive/Group Director – Corporate Resources.

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

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

Fund Administration and Investments

Rhondda Cynon Taf CBC, as administering authority, is responsible for the overall management and administration of the Pension Fund and is accountable for complying with the law. Its responsibilities include putting in place the Fund's overall arrangements for: governance and reporting; the interpretation of pension legislation; administration, including, the creation and maintenance of records, the calculation and payment of benefits and the provision of information to employees, employers and other relevant bodies; and investment of the Fund's assets.

The Pension Fund Committee is responsible for the strategic management of the Rhondda Cynon Taf Pension Fund in accordance with its Terms of Reference.

The Deputy Chief Executive/Group Director – Corporate Resources (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel, has delegated responsibility for all day to day operational matters.

The Pension Fund Investment and Administration Advisory Panel is chaired by the Deputy Chief Executive/Group Director – Corporate Resources and consists of two independent Investment Advisors and other Senior Finance Officers.

The Panel meets quarterly to consider both administration and investment issues, to determine policy in light of market movements and to question and challenge the Investment Managers on their activities and performance. At the Net Assets Statement date there were five Investment Managers and the operator of the Wales Pension Partnership (WPP) carrying out the day-to-day investment management of the Fund's assets:

- Baillie Gifford (Global Equities);
- BlackRock (Passive Low Carbon Equities, Passive UK Gilts and Infrastructure);
- CBRE (Property);
- Waystone (Operator of the WPP);
- GCM Grosvenor (Closed Ended Infrastructure); and
- Capital Dynamics (Local Investment Infrastructure).

The Pensions Board was established in accordance with the Public Service Pensions Act 2013 to assist Rhondda Cynon Taf CBC as 'scheme manager' in achieving effective and efficient governance and administration of the Rhondda Cynon Taf Pension Fund.

Wales Pension Partnership (WPP)

On the 15th March 2017 Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The link to the report can be found here: [All Wales Pension Fund Investment pooling-joint Governance Committee and Inter Authority Agreement.](#)

The Operator has established an Authorised Contractual Scheme (ACS) (a tax efficient UK collective investment vehicle) on behalf of the WPP. The ACS continues to develop a range of asset classes to meet the needs of the LGPS funds in Wales, to allow them to execute their differing asset allocation strategies. The LGPS funds retain full control over strategic asset allocation decisions.

LGPS Fit for the Future Consultation

The Government launched its LGPS Fit for The Future Consultation on 14th November 2024: [Local Government Pension Scheme \(England and Wales\): Fit for the future - GOV.UK](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future) outlining a range of proposals to strengthen the management of LGPS investments in 3 key areas:

1. Reforming the LGPS asset pools;
2. Boosting LGPS investment in their localities and regions in the UK; and
3. Strengthening the governance of both LGPS AAs and LGPS pools.

Alongside the consultation, each of the 8 nationally established LGPS Pools (7 in England and 1 in Wales) were asked to submit a Business Case outlining how they would meet Government's required criteria in respect of areas 1 and 2 above, deliverable in line with the stated deadline of 31st March 2026. The deadline for submission of these business cases was 28th February 2025.

WPP initiated what is now designated Project Snowdon to formulate its Business Case submission to address the fundamental question raised by the consultation, which was, to either: i) build its own WPP Investment Management Company (IMCo) and retain its own independent Investment Management Pool or ii) merge with one of the other LGPS Pools in England.

WPP concluded that it was in the best interests of all the direct and wider stakeholders in Wales that WPP set out to build its own IMCo and retain its independence as a Pool with all 8 Welsh LGPS as sole shareholders and clients. The formation of WPP IMCo presents an opportunity to create a stand-alone LGPS Investment Company for the benefit of all the stakeholders of the underlying 22 local authorities in Wales, 382 employers and 412,000 members. Not only can the WPP continue to invest for, and safeguard the LGPS pensions of its members, it shall have the chance to continue in its role investing locally throughout Wales and the rest of the UK, working with Councils, Corporate Joint Committees, the Development Bank of Wales, British Business Bank and Welsh Government, promoting economic growth, providing employment, safeguarding clean energy and enhancing the wider infrastructure of the country, for the benefit of the people of Wales.

The WPP submitted its business case to Government on 28th February 2025 in line with the laid down timescale and was also approved by the WPP Joint Governance Committee and considered by the Rhondda Cynon Taf Pension Fund. Government approved the WPP business case submission, in a letter received from The Minister for Local Government and The Minister for Pensions on 9th April 2025, and were supportive of WPP progressing as set out in the business case.

On the 29th May 2025, the UK Government issued the [Pensions Investment Review Final Report](#) following and responding to the consultation, clearly setting out their intentions to continue toward implementation of their proposals through legislation as appropriate, reaffirming the March 2026 backstop date and including additional powers

to mandate Funds to join pools. The Pension Schemes Bill was subsequently laid before Parliament on the 5th June 2025.

The full Council of Rhondda Cynon Taf approved the above way forward on [25th June 2025](#).

Statement of Responsibilities for the Pension Fund Accounts

Rhondda Cynon Taf County Borough Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of the Pension Fund's financial affairs and to ensure one of its Officers has the responsibility for the administration of those affairs. In the Council, that Officer is the Deputy Chief Executive/Group Director – Corporate Resources.
- To manage the Pension Fund's affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Pension Fund Accounts.

I confirm that these accounts were approved by Council on:

Signature:  Date: 26/11/25

Presiding Officer

Rhondda Cynon Taf County Borough Council
Floor 4, 2 Llys Cadwyn
Taff Street
Pontypridd
CF37 4TH

The Deputy Chief Executive/Group Director – Corporate Resources' Responsibilities

The Deputy Chief Executive/Group Director – Corporate Resources is responsible for the preparation of the Pension Fund Accounts which, in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the Pension Fund at the accounting date and its income and expenditure for the year.

In preparing the Pension Fund Accounts, the Deputy Chief Executive/Group Director – Corporate Resources has:


- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the code.

The Deputy Chief Executive/Group Director – Corporate Resources has also throughout the financial year:

- Maintained proper accounting records that were kept up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Deputy Chief Executive/Group Director – Corporate Resources on the Accounts of Rhondda Cynon Taf Pension Fund for 2024/25

I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31st March 2025 and its income and expenditure for the year.

Signature:  Date: 26/11/25

Barrie Davies

Deputy Chief Executive/Group Director – Corporate Resources

Rhondda Cynon Taf County Borough Council
Floor 4, 2 Llys Cadwyn
Taff Street
Pontypridd
CF37 4TH

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Fund Account

2023/24			2024/25	
£'000		Note:	£'000	£'000
	Contributions			
(111,319)	Employer contributions	12.0	(116,185)	
(36,969)	Member contributions	12.0	(38,607)	
(148,288)				(154,792)
	Transfers in from other Pension Funds			
(7,579)	Group Transfers in from other schemes or funds		(18,030)	
(1,027)	Individual Transfers from other schemes or funds		(2,189)	
				(20,219)
(4,645)	Other income			(8,192)
	Benefits			
130,805	Pensions		143,315	
30,529	Commutation of pensions and lump sum retirement benefits		41,170	
5,371	Lump sum death benefits		4,744	
166,705		12.0		189,229
	Payments to and on account of leavers			
246	Refunds to members leaving scheme or fund		380	
(2)	Payments for members joining state scheme or fund		0	
0	Group Transfers to other schemes or funds	17.0	2,782	
10,765	Individual Transfers to other schemes of funds		14,071	
11,009				17,233
177,714				206,462
16,175	Net (addition)/withdrawals from dealings with members			23,259
14,645	Management Expenses	13.0		21,043
30,820	Net (additions)/withdrawals including fund management expenses			44,302
	Investment income			
(15,015)	Equities		(8,271)	
	Pooled Funds			
(45,950)	WPP Global Equities		(34,684)	
(766)	WPP Sustainable Equities		(1,876)	
(14,930)	WPP UK Credit Fund		(27,154)	
0	WPP Infrastructure (Closed Ended)		(236)	

	Other Pooled Investments			
(8,974)	Pooled Property		(9,748)	
	Other			
(780)	Cash deposits		(899)	
(86,415)				(82,868)
(400,615)	(Profits) and losses on disposal of investments and changes in the value of investments	10.0 & 11.0		(30,329)
110	Taxes on income			73
(486,920)	Net Returns on Investments			(113,124)
(456,100)	Net (increase)/decrease in net assets available for benefits during the year			(68,822)
(4,260,475)	Opening Net Assets			(4,716,575)
(4,716,575)	Closing Net Assets			(4,785,397)

Net Assets Statement

31/03/2024			31/03/2025	
£'000		Note:	£'000	£'000
	Investment Assets	<i>7.0</i>		
444,003	Equities		382,400	
	Pooled Funds			
2,250,754	WPP Global Equities		2,260,235	
113,382	WPP Sustainable Equities		113,894	
707,830	WPP UK Credit Fund		726,573	
16,897	WPP Infrastructure (Closed Ended)		36,218	
2,918	WPP Local Investment		4,393	
	Other Pooled Investments			
539,630	Passive UK Gilts		533,740	
278,382	Passive Equities		290,592	
288,102	Pooled Property		298,387	
38,507	Pooled Infrastructure		96,776	
4,680,405				4,743,208
33,977	Cash deposits			38,193
	Other investment balances			
1,335	Investment debtors		932	
638	Tax recoverable		487	
1,973		<i>10.0</i>		1,419
4,716,355				4,782,820
	Investment Liabilities			
(4,506)	Investment creditors	<i>10.0</i>		(56)
4,711,849	Net Investment Assets	<i>8.0 & 10.0</i>		4,782,764
	Current assets			
7,334	Contributions due from employers and employees		7,598	
1,268	Other current assets		1,465	
8,602				9,063
(3,876)	Current Liabilities			(6,430)
4,716,575	Net assets of the scheme available to fund benefits at period end			4,785,397

Notes to the Accounts

1.0 Material Accounting Policies

1.1 Accruals of Expenditure and Income

Where material, accruals are made for employee and employer contributions, investment income, benefits paid, administration costs, investment management fees and advisors fees. Transfer values are accounted for on a cash basis, with the exception of material group transfers, which are accounted for during the year of effective date of transfer or the year in which the actuary values the transfer, if later.

1.2 Investment Valuation of Financial Instruments

In terms of "Fair Value", all investments have quoted prices in active markets, with the exception of Pooled Investment Vehicles managed by the WPP and Pooled Property Funds.

Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31st March 2025 obtained from recognised Stock Exchanges.

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2025.

Pooled Investment Vehicles managed by the WPP are valued using net asset values provided by Waystone, the WPP operator. These are reported at the closing single price.

Pooled Property Funds are valued by Fund Managers using reliable valuation techniques to determine Fair Value. Property valuations are represented by unit prices, based on underlying independent professional valuations. No assets require significant judgements or assumptions to determine Fair Value.

1.3 Additional Voluntary Contributions (AVCs)

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVCs are not included in the Pension Fund accounts in accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016.

The amount of AVCs paid by members during the year amounted to £2.46m and the market value of invested AVCs at the Balance Sheet date was £12.30m. There are two AVC providers, Prudential and Utmost Life.

1.4 Acquisition and Disposal Costs

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate. Transaction costs include fees, commissions and duties. Transaction costs

incurred during 2024/25 amounted to £5.96m (£1.78m in 2023/24). In addition to the direct costs disclosed above, 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.

1.5 Taxation

As a registered public service scheme, the Pension Fund is exempt from UK income tax and capital gains tax. Overseas investment income incurs withholding tax in the country of origin unless exemption is granted.

Irrecoverable tax is accounted for as an expense in the Fund Account, with any recoverable tax shown as an asset in the Net Assets Statement.

There is a small liability to income tax on refunds of contributions and compounded pensions (small pensions converted into lump sums). These amounts are paid to HMRC on a quarterly basis.

VAT is recoverable on all activities, so the accounts are shown exclusive of VAT.

1.6 Cash and Cash Equivalents

Cash and Cash Equivalents are sums of money available for immediate use by the Pension Fund. Such items are deemed to be cash balances held in the Pension Fund's bank accounts and any overdrawn bank balances.

Short-term investments are deemed to be cash and cash equivalents. These funds are invested on a short-term basis by Rhondda Cynon Taf CBC until required to meet liabilities, or transfer surplus cash to the Investment Managers for investment.

1.7 Contingent Liabilities

A contingent liability is a possible item of expenditure that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control. Such contingent liabilities are not reflected in the Net Assets Statement as it may not be probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

2.0 Accounting Standards Issued but not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. Potentially relevant standards include:

a) **IAS 21 *The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)*** issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should

determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

b) **IFRS 17 Insurance Contracts** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy.

It is not anticipated that the above amendments will have a material impact on the Pension Fund Statement of Accounts.

3.0 **Critical Judgements in Applying Accounting Policies**

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

4.0 **Assumptions Made about the Future and other major Sources of Estimation Uncertainty**

The Pension Fund accounts contain estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual costs could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial 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	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

	pension fund assets. The actuary provides the Fund with advice regarding the assumptions to be used.	assumed life expectancy would increase the value of the liabilities.
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5.0 **Events after the Reporting Date**

The draft unaudited Statement of Accounts was authorised for issue by the Deputy Chief Executive/Group Director – Corporate Resources, as Chief Finance Officer, on 26th November 2025. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provide information about conditions existing at 31st March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events that took place after 31st March 2025 requiring disclosure providing information that is relevant to an understanding of the Pension Fund's financial position.

6.0 **Actuarial Position**

The Fund's Actuary, AON Hewitt carried out an actuarial valuation of the Fund as at 31st March 2022 in compliance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2013. Actuarial valuations take place on a triennial basis with a number of key assumptions being made.

The methodology to calculate the Pension Fund liability reflects assumptions and estimates depending on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on Pension Fund assets.

Where a valuation reveals a deficiency (or surplus), employer contribution rates are adjusted to seek restoration of a 100% funding ratio. The recovery period for each employer is set by the Administering Authority in consultation with the Actuary. The funding policy of the Scheme is to ensure that:

- Employer contribution rates are kept as nearly constant as possible and at reasonable cost to the employers and taxpayers.
- Sufficient resources are available to meet all liabilities as they fall due.
- Employers' liabilities are managed effectively by seeking regular actuarial advice.
- Income from investments is maximised within reasonable risk parameters.

The results of the 2019 and 2022 valuations are shown in the table below:

	31/03/2019	31/03/2022
	£'m	£'m
Funding Target	3,515	4,291
Market Value of Assets	3,459	4,512
Funding Surplus (deficit)	(56)	221
Funding Ratio	98%	105%

The aggregate employer future service contribution rate is 19.6% of pensionable pay. Contribution rates payable by each scheme employer will vary depending on their particular circumstances. Some employers will also phase in contribution increases over a maximum period of 3 years. Further details are available in the actuarial report.

Contribution rates have been calculated using the Projected Unit Method for most employers. The Attained Age Method has been used for some employers who do not permit new employees to join the Fund. The key assumptions made are listed in the following table:

Assumption	2019 Valuation	2022 Valuation
	% p.a.	% p.a.
Average in service discount rate	4.18%	4.24%
Average left service discount rate	3.79%	3.83%
CPI inflation	2.10%	3.00%
Pensionable Pay increases	3.35%	4.25%

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions from those used for funding purposes. The actuary has also used valued ill health and death benefits in line with IAS 19.

The CIPFA Code of Practice on Local Authority Accounting also requires the disclosure of the relationship between the actuarial present value of promised retirement benefits and the net assets.

	Value as at 31/03/2019	Value as at 31/03/2022
	£'m	£'m
Fair Value of net assets	3,458.60	4,512.10
Actuarial present value of promised retirement benefits	4,645.00	5,898.20
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(1,186.40)	(1,386.10)

7.0 Analysis of Investments at Fair Value

	2023/24		2024/25	
	£'000	£'000	£'000	£'000
Equities				
Global	444,003		382,400	
		444,003		382,400
Pooled funds				
WPP Global Equities	2,250,754		2,260,235	
WPP Sustainable Equities	113,382		113,894	
WPP UK Credit Fund	707,830		726,573	
WPP Infrastructure (Closed Ended)	16,897		36,218	
WPP Local Investment	2,918		4,393	
		3,091,781		3,141,313
Other Pooled Investments				
Pooled UK Gilts	539,630		533,740	
Pooled Passive Equities	278,382		290,592	
Pooled Property	288,102		298,387	
Pooled Infrastructure	38,507		96,776	
		1,144,621		1,219,495
Total long-term investments		4,680,405		4,743,208

The Fund has participated in stock lending arrangements through its investments in the WPP. The total income received by the RCT Pension Fund from stock lending in 2024/25 is £87k.

All investments held are quoted investments with the exception of property and infrastructure, which are valued at Fair Value and no assets reclassified. Carrying values of assets held in the Net Assets Statement are the same as the Fair Values shown above.

All investments above are deemed to be Financial Instruments designated "Fair Value through Profit and Loss". All investment income, profits/losses on disposals of investments, and changes in the value of investments recognised in the Fund Account arise from Financial Instruments designated "Fair Value through Profit and

Loss”, with the exception of interest on cash deposits. Cash deposits are deemed to be Financial Instruments designated “Loans and Receivables”.

The table below shows the Fair Value basis of valuation:

Investment	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
Quoted Equities	Level 1	These assets are considered to have a readily observable, transparent prices, and therefore a reliable fair market value.	Not required	Not required
Cash	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled Property	Level 2	The 'NAV' (net asset value) calculation is based on the market value of the underlying assets	Evaluated price feeds	Not required
(WPP) Pooled Investments - Equities	Level 2	The NAV is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
(WPP) Pooled Investments - Fixed Income	Level 2	The NAV calculation is based on the market value of the underlying fixed income securities	Evaluated price feeds	Not required
Infrastructure	Level 3	Valued using cashflow techniques to generate a net present value	Valuations are based on company specific financial models. Cross checks are made to comparable listed company valuations.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows and by differences between audited and unaudited accounts.

Reconciliation of fair value measurements within level 3:

	Infrastructure Fund	Infrastructure Fund
	31/03/2024	31/03/2025
Opening balance	29,613	58,322
Transfers out of level 3	0	0
Capital Calls (purchases)	27,023	75,569
Return of Investment (sales)	0	-7,004
Unrealised gains and losses	1,686	10,553
Realised gains and losses	0	-53
Closing balance	58,322	137,387

8.0 Fund Manager Asset Allocation

The market values of investments held by the Fund Managers employed by the Fund are detailed in the following table:

Fund Manager	Market Value		Proportion of Fund	
	31/03/2024 £'000	31/03/2025 £'000	31/03/2024 %	31/03/2025 %
Baillie Gifford (Equities)	446,592	386,345	9.5	8.1
BlackRock (Passive Low Carbon Equities)	278,383	290,593	5.9	6.1
BlackRock (Passive Gilts)	539,630	533,740	11.5	11.2
BlackRock GIS4 (Infrastructure)	38,507	47,025	0.8	1.0
BlackRock GIS5 (Infrastructure)	0	22,956	0.0	0.5
BlackRock Global Renewable Fund IV (Infrastructure)	0	26,795	0.0	0.6
Capital Dynamics (Local Investment)	2,918	4,393	0.1	0.1
CBRE (Property)	289,990	307,478	6.2	6.4
GCM Grosvenor (Closed End Infrastructure)	16,897	36,218	0.4	0.8
Waystone (Global Growth)	1,763,568	1,752,556	37.3	36.4
Waystone (Global Opportunities)	487,186	507,679	10.3	10.6
Waystone (Sustainable Equity)	113,382	113,894	2.4	2.4
Waystone (UK Credit Fund)	707,830	726,573	15.0	15.2
Internal	26,966	26,519	0.6	0.6
Total	4,711,849	4,782,764	100	100

The market value of investments shown in this table includes short-term investments such as cash balances and deposits, and so differs from the total of long-term investments only, as shown in note 7.0.

Investment risk is mitigated by employing a number of fund managers to diversify manager risk, with mandates covering a variety of assets including equities, bonds and property. Managers must maintain a diversified portfolio of investments and comply with the LGPS investment regulations, and any additional restrictions within their mandates. The underlying investments are further diversified by country and industry sector.

Each manager's performance is monitored quarterly against a target linked to an asset allocation benchmark, effectively constraining managers from deviating significantly from the intended approach, while still permitting some flexibility to enhance returns.

9.0 Contingent Liabilities

There is a contingent liability of £1.676m (£1.245m in 2023/24) in respect of refundable contributions for leavers who have not yet claimed refunds.

10.0 Reconciliation of Investment Asset Valuation

A reconciliation of the opening and closing investment valuations is given below:

	Market Value 01/04/24	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/25
	£'000	£'000	£'000	£'000	£'000
Equities	444,003	64,344	(122,307)	(3,640)	382,400
Pooled Global Equities	2,250,754	0	(8,599)	18,080	2,260,235
Pooled Sustainable Equities	113,382	2,163	(559)	(1,092)	113,894
Pooled UK Credit	707,830	27,154	(866)	(7,545)	726,573
Pooled Infrastructure (Closed Ended)	16,897	19,155	(2,371)	2,537	36,218
Pooled Local Investment	2,918	1,213	(92)	354	4,393
Other Pooled UK Gilts	539,630	0	0	(5,890)	533,740
Other Pooled Equities	278,382	0	0	12,210	290,592
Other Pooled Property	288,102	10,589	(8,010)	7,706	298,387
Other Pooled Infrastructure	38,507	55,201	(4,541)	7,609	96,776
	4,680,405	179,819	(147,345)	30,329	4,743,208
Cash Deposits	33,976				38,193
Investment Debtors	1,974				1,419
Investment Creditors	(4,506)				(56)
Total	4,711,849			30,329	4,782,764

Comparative note for 2023/2024:

	Market Value 01/04/23	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/24
	£'000	£'000	£'000	£'000	£'000
Global Equities	786,080	85,299	(436,069)	8,693	444,003
Pooled Global Equities	1,933,913	33,057	0	283,784	2,250,754
Pooled Sustainable Equities	0	99,820		13,562	113,382
Pooled UK Credit	520,721	147,953	0	39,156	707,830
Pooled Infrastructure (Closed Ended)	0	16,356	0	541	16,897
Pooled Local Investment	0	2,827	0	91	2,918
Other Pooled UK Gilts	438,537	94,500	0	6,593	539,630
Other Pooled Equities	223,739	0	0	54,643	278,382
Other Pooled Property	290,131	20,510	(15,036)	(7,503)	288,102
Other Pooled Infrastructure	29,612	7,840		1,055	38,507
	4,222,733	508,162	(451,105)	400,615	4,680,405
Cash Deposits	31,111				33,976
Investment Debtors	2,583				1,974
Investment Creditors	(65)				(4,506)
Total	4,256,362			400,615	4,711,849

11.0 Profits and Losses on Investments

	2023/24	2024/25
	£'000	£'000
Profit on sales	87,134	35,857
Loss on sales	(56,322)	(23,712)
Net profit / (loss) on sales	30,812	12,145
Change in market value	369,803	18,184
Net increase/ (decrease) in value	400,615	30,329

12.0 Contributions Receivable and Benefits Payable

Contributions received and benefits paid are shown in the table below:

Type of Body	Member Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	11,977	12,251	36,186	37,139	50,402	56,188
Admitted	4,595	4,987	17,103	17,892	20,679	22,926
Scheduled	20,397	21,369	58,030	61,154	95,624	110,115
Total	36,969	38,607	111,319	116,185	166,705	189,229

Included in employer contributions are £938k of deficit funding contributions (£906k in 2023/24).

13.0 Management Expenses

The management expenses borne by the Fund in 2024/25 are set out below:

	2023/24	2024/25
	£'000	£'000
Administrative Costs	2,689	2,799
Investment Management Expenses	11,546	17,682
Oversight and Governance Costs	410	562
Total	14,645	21,043

Investment management expenses represent 0.37% (0.25% in 2023/24) of the value of the Pension Fund as at 31st March 2025.

2024/25 Audit Fees of £50k are included in Oversight and Governance Costs (£54k in 2023/24). The Fund incurs no performance related fees.

The investment management expenses borne by the Fund in 2024/25 are set out below:

2024/25	£'000	£'000	£'000
	Total	Management Fees	Transaction Costs
Equities	962	829	133
Pooled Funds			
WPP Global Equities	8,278	7,006	1,272
WPP Sustainable Equities	544	380	164
WPP UK Credit Fund	764	605	159
WPP Infrastructure (Closed Ended)	1,492	515	977
WPP Local Investment	92	66	26
Other Pooled Investments		0	0
UK Gilts	27	27	0
Passive Equities	30	30	0
Pooled Property	473	468	5
Pooled Infrastructure	4,540	654	3,886
	17,202	10,580	6,622
Custody Fees	480		
Total	17,682		

Comparative Note for 2023/24:

2023/24	£'000	£'000	£'000
	Total	Management Fees	Transaction Costs
Equities	1,539	1,179	360
Pooled Funds			
WPP Global Equities	7,391	6,100	1,291
WPP Sustainable Equities	644	160	484
WPP UK Credit Fund	602	460	142
WPP Infrastructure (Closed Ended)	64	56	8
WPP Local Investment	90	65	25
Other Pooled Investments		0	0
UK Gilts	23	23	0
Passive Equities	25	25	0
Pooled Property	506	481	25
Pooled Infrastructure	242	224	18
	11,126	8,773	2,353
Custody Fees	420		
Total	11,546		

Included in the management expenses above, is the cost of the Fund's involvement in the WPP collective investment pooling arrangement, as set out below:

	2023/24	2024/25
	£'000	£'000
WPP Oversight and Governance Costs		
Running Costs	171	343
WPP Investment Management Expenses		
Fund Managers Fees	7,306	9,206
Transaction Costs	1,382	1,963
Custody Fees	386	439
Total	9,245	11,951

The oversight and governance costs are the annual running costs of the Pool, which includes the Host Authority costs and other external advisor costs. These costs are funded equally by all eight of the Local Authority Pension Funds in Wales. All other costs, including the investment management expenses are fees payable to Waystone (the WPP operator) and include fund manager fees, transaction costs (which also includes the operator fee) and custody fees. These costs are based on each Fund's percentage share of the WPP pooled assets and are deducted from the Net Asset Value (NAV).

14.0 Transactions with Related Parties

In the course of fulfilling its role as Administering Authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £2m (£2m in 2023/24). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end, contributions outstanding from the Employing Bodies in the Fund amounted to £7.6m (£7.3m in 2023/24), of which £5.7m related to employer contributions and £1.9m to employee contributions.

There are members of the Pension Fund Investment and Administration Advisory Panel, the Pensions Board and the Pension Fund Committee who are also members of the Rhondda Cynon Taf Pension Fund.

The administration of the Rhondda Cynon Taf Pension Fund is a function of full Council, with responsibility for day to day decisions being delegated to the Deputy Chief Executive/Group Director – Corporate Resources. As such, the post holders are required to declare any interests with related parties. The disclosure can be found in the Statement of Accounts of Rhondda Cynon Taf County Borough Council.

The Committee Members and Senior Officers that advise the Committee are required to declare their interest at each meeting.

Officer remuneration and Members allowances are disclosed within the Statement of Accounts for Rhondda Cynon Taf at the following link: [Statement of Accounts Rhondda Cynon Taf County Borough Council \(rctcbc.gov.uk\)](https://www.rctcbc.gov.uk/statement-of-accounts).

15.0 Membership of the Fund

Fund membership at 31st March is as follows:

	2024	2025
Active Employers	58	70
Contributors	25,349	25,395
Pensioners	19,640	20,656
Dependants	3,147	3,209
Deferred Beneficiaries	31,943	31,447

16.0 Nature and Extent of Risks Arising From Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity. There are three main ways in which the Pension Fund is exposed to risk from financial instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

The overall objective is to minimise the risk of a reduction in the value of the Fund, and to maximise the opportunity for gains within reasonable risk parameters. The Funding Strategy Statement identifies key risks to the Pension Fund together with the countermeasures undertaken to mitigate the risks.

16.1 Credit Risk

Credit risk is the possibility that a counterparty will fail to discharge its obligation to the Pension Fund, causing a financial loss. Counterparties considered are banks and financial institutions with whom investments are placed, employers within the Fund and Investment Managers. The risk of counterparties failing to discharge obligations is managed in a number of ways:

- Counterparties for cash investments made by the Administering Authority must meet the strict credit criteria set out in the Rhondda Cynon Taf CBC Treasury Management Strategy.
- Participating employers may be required to provide a bond to cover the risk to the Fund should they be unable to meet their pension contribution obligations.
- Investment Managers manage funds that are held in the name of the Pension Fund, not in the name of the Investment Managers. In the event of the

Investment Manager being unable to fulfil their obligations the Fund's investments will not be considered part of their asset portfolio.

The Pension Fund has had no experience of counterparty default in the last five years. Cash deposits held by the Administering Authority for the Pension Fund as at 31st March 2025 amounted to £25.08m with the institution shown in the table below:

Institution	Balance at 31/03/25 £'000	Maturity Date
Debt Management Office	9,400	01/04/2025
Debt Management Office	15,680	02/04/2025
Total	25,080	

16.2 Liquidity Risk

Liquidity risk is the risk that the Pension Fund will not be able to meet its financial obligations as they fall due. This risk is managed by:

- Maintaining a robust cash flow monitoring and forecasting model.
- Ensuring that the Pension Fund has access to cash in the short and medium-term to pay pensions by managing cash flow from money-market investments.
- Taking actuarial advice to set employer contribution rates at triennial valuations in order to meet the long-term funding requirements to pay pensions and other commitments.

The Administering Authority has immediate access to internally managed Pension Fund cash balances held with its own bank, Barclays. The Authority also invests Pension Fund cash in short-term deposits with the Debt Management Office or other UK public bodies for periods normally less than 3 months.

16.3 Market Risk

Market risk is the risk of a loss in the value of investment assets from movements in investment markets e.g. asset prices, interest rates and currency exchange rates. This risk is managed by ensuring that the Fund invests in a broad range of assets diversified by Investment Manager, asset class and geographical region.

Following analysis of historic data, Pensions & Investment Research Consultants (PIRC), the Fund's pension performance analytics company, has provided a view of potential market movements for the 2024/25 financial year. The possible impact of movements in each asset type is shown in the following table:

Asset type	31/03/25 Value	Change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Equities	382,400	11.50	426,376	338,424
Pooled Funds - Global Equity	2,260,235	11.50	2,520,162	2,000,308
Pooled Sustainable Equities	113,894	11.50	126,992	100,796
Pooled Funds UK Credit	726,573	8.10	785,425	667,721
Pooled Infrastructure (Closed Ended)	36,218	2.90	37,268	35,168
Pooled Local Investment	4,393	2.90	4,520	4,266
Other Pooled - UK Gilts	533,740	8.10	576,973	490,507
Other Pooled - Passive Equities	290,592	11.50	324,010	257,174
Other Pooled - Property	298,387	5.00	313,306	283,468
Other Pooled - Infrastructure	96,776	2.90	99,583	93,969
Cash	39,556	1.50	40,149	38,963

PIRC also advised that the potential market movement for the Fund as a whole, could be 7.3%. The possible impact is shown below:

	31/03/2025 Value	Change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Fund Asset Total	4,782,764	7.3	5,131,906	4,433,622

The Fund's interest rate risk is monitored regularly with the advice of the Administering Authority's treasury advisors. Interest rate changes can affect Fund income and asset values.

Assuming that all other variables, particularly exchange rates, remain unchanged, a movement in interest rates of 1% for the 2024/25 financial year would have the following effect:

Asset type	31/03/25 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Pooled Funds UK Credit	726,573	733,839	719,307
Other Pooled - Gilts	533,740	539,077	528,403
Cash deposits & balances	39,556	39,952	39,160
Total	1,299,869	1,312,868	1,286,870

Currency risk is the risk to income and investment asset values from changes in exchange rates. The Fund is exposed to this risk from non-sterling denominated investments in a range of assets.

A movement in currency exchange rates of 5.4% would have the following effect:

Asset type	31/03/25 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	239,281	252,202	226,360
Total	239,281	252,202	226,360

17.0 Group Transfers

The Fund transferred £2.782m to Clwyd Pension Fund in respect of a bulk transfer for Vision products.

The report of the Auditor General for Wales to the members of Rhondda Cynon Taf County Borough Council as administering authority for Rhondda Cynon Taf Pension Fund

Opinion on financial statements

I have audited the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2025 under the Public Audit (Wales) Act 2004.

Rhondda Cynon Taf Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including the material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of financial statements and regularity of public sector bodies in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the Pension Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Pension Fund's Statement of Account other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Pension Fund's Statement of Account. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Pension Fund's Statement of Account for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the other information contained in the Pension Fund's Statement of Account.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on pages 6-7, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing Rhondda Cynon Taf Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by Rhondda Cynon Taf Pension Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Pension Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Rhondda Cynon Taf Pension Fund's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition and posting of unusual journals.
- Obtaining an understanding of Rhondda Cynon Taf Pension Fund's framework of authority as well as other legal and regulatory frameworks that Rhondda Cynon Taf Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Rhondda Cynon Taf Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the [Audit Committee] and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and

evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Rhondda Cynon Taf Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Rhondda Cynon Taf Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the net asset statement.

Active

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'.

Actuary

An actuary is an individual or organisation that calculates insurance premiums and liabilities and pension obligations.

Actuarial Gains and Losses

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

Admitted Body

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

Asset Allocation

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

Attained Age Method

An Actuarial method of calculating a contribution rate to the Pension Fund. It calculates the present value of the benefits estimated to accrue to members over their expected remaining membership, expressed as a percentage of their expected future pensionable pay.

Audit

An audit is an independent examination of activities.

Cash and Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Contingent Liabilities

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

Creditor

A creditor is an organisation/individual owed money by the Pension Fund at the end of the financial year for goods/services received.

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.

Current Assets

These are short-term assets that are available for the Pension Fund to use in the following accounting period.

Current Liabilities

These are short-term liabilities that are due for payment by the Pension Fund in the following accounting period.

Debtor

A debtor is an organisation/individual who owes the Pension Fund money at the end of the financial year for goods/services received.

Debt Management Office (DMO)

The DMO is an Executive Agency of His Majesty's Treasury. Its responsibilities include debt and cash management for the UK Government, lending to Local Authorities and managing certain public sector funds.

Defined Benefit Scheme (Pensions)

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

Defined Contribution Scheme (Pensions)

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

Employer Contribution Rates

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

Equities

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

Fair Value Hierarchy

Level 1 – Assets and liabilities at level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available.

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.

Financial Assets

Financial assets are cash, equity instruments within another entity e.g. shares, or a contractual right to receive cash or another asset from another entity e.g. debtors.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March of the following year.

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.

International Accounting Standard (IAS)

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

Liability

A liability is an obligation to transfer economic benefits as a result of past transactions or events.

Net Asset Value (NAV)

The net asset value (NAV) represents the net value of an entity and is calculated as the total value of the entity's asset minus the total value of its liabilities.

Passive Management

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.

Pooled Funds

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

Portfolio

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

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors.

Provision

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

Related Party

A related party exists where there is control or influence by one party over another.

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.

Scheduled Bodies

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

Strain on Funds

When an employee retires early and is immediately paid a pension, without actuarial reduction, the lost contribution income and interest cost arising from the associated earlier increased cash flow is referred to as pension strain cost. The pension strain cost is determined by actuarial calculation.

Unrealised Gains/Losses

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

Wales Pension Partnership (WPP)

The WPP was established in 2017. The WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools.