

**Rhondda Cynon Taf Pension Fund  
Statement of Account**

**2023/24**

## 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 1<sup>st</sup> 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 60 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 2023/24 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 – Finance, Digital and Frontline Services.

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 has responsibility for the interpretation of pension legislation, the creation and maintenance of records, the calculation and payment of benefits and the provision of information to employees, employers and other relevant bodies.

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 – Finance, Digital and Frontline Services (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 – Finance, Digital and Frontline Services 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 three 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 Gilts and Infrastructure);
- CBRE (Property); and
- Waystone (Operator of the WPP)
- GCM Grosvenor (Closed Ended Infrastructure)
- 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 15<sup>th</sup> 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.](#)

Link, the original Operator of the WPP, was purchased by Waystone during October 2023.

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.

The WPP has established investment programmes for its private market asset classes.

Positive progress has been made by the WPP in the establishment of various sub-funds for both liquid and illiquid assets.


## **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 – Finance, Digital and Frontline Services.
- 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: 06/11/24

#### **Presiding Officer**

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

#### **The Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services' Responsibilities**

The Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services is responsible for the preparation of the Pension Fund Accounts which, in terms of 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 – Finance, Digital and Frontline Services 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 – Finance, Digital and Frontline Services 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 – Finance, Digital and Frontline Services on the Accounts of Rhondda Cynon Taf Pension Fund for 2023/24**

I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31<sup>st</sup> March 2024 and its income and expenditure for the year.

Signature:  Date: 06/11/24

**Barrie Davies**

**Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services**

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

**Fund Account**

2022/23 £'000		Note:	2023/24	
			£'000	£'000
	<b>Contributions</b>			
(112,985)	Employer contributions	13.0	(111,319)	
(34,416)	Member contributions	13.0	(36,969)	
<b>(147,401)</b>				<b>(148,288)</b>
	<b>Transfers in from other Pension Funds</b>			
(5,917)	Group Transfers in from other schemes or funds		(7,579)	
(1,945)	Individual Transfers from other schemes or funds		(1,027)	
				<b>(8,606)</b>
<b>(2,957)</b>	<b>Other income</b>			<b>(4,645)</b>
	<b>Benefits</b>			
117,196	Pensions		130,805	
22,587	Commutation of pensions and lump sum retirement benefits		30,529	
2,741	Lump sum death benefits		5,371	
<b>142,524</b>		13.0		<b>166,705</b>
	<b>Payments to and on account of leavers</b>			
279	Refunds to members leaving scheme or fund		246	
(1)	Payments for members joining state scheme or fund		(2)	
7,641	Individual transfers to other schemes of funds		10,765	
<b>7,919</b>				<b>11,009</b>
<b>150,443</b>				<b>177,714</b>
(7,777)	Net (addition)/withdrawals from dealings with members			16,175
13,397	Management Expenses	14.0		14,645
<b>5,620</b>	<b>Net (additions)/withdrawals Including fund management expenses</b>			<b>30,820</b>
	<b>Investment income</b>			
(15,680)	Equities		(15,015)	
	Pooled Funds			
(13,598)	WPP Global Equities*		(45,950)	
0	WPP Sustainable Equities		(766)	
(10,423)	WPP UK Credit Fund		(14,930)	

	Other Pooled Investments			
(10,777)	Pooled Property		(8,974)	
	Other			
(298)	Cash deposits		(780)	
<b>(50,776)</b>				<b>(86,415)</b>
<b>299,202</b>	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>	11.0 & 12.0		<b>(400,615)</b>
<b>75</b>	<b>Taxes on income</b>			<b>110</b>
<b>248,501</b>	<b>Net Returns on Investments</b>			<b>(486,920)</b>
<b>254,121</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(456,100)</b>
<b>(4,514,596)</b>	<b>Opening Net Assets</b>			<b>(4,260,475)</b>
<b>(4,260,475)</b>	<b>Closing Net Assets</b>			<b>(4,716,575)</b>

\* Initially during 2022/23, the dividends from WPP Global Equities were accumulation units, of which only one accumulation took place for the Global Growth Fund and is included within the £13.598m. For the remainder of 2022/23 income remained within the market value price. At year end of 2022/23, the market value of the Global Growth Fund included £14.552m of income. For 2023/24 Global Growth reverted back to accumulation units.



**Net Assets Statement**

31/03/2023		Note:	31/03/2024	
			£'000	£'000
	<b>Investment Assets</b>	7.0		
786,080	Equities		444,003	
	Pooled Funds			
1,933,913	WPP Global Equities		2,250,754	
0	WPP Sustainable Equities		113,382	
520,721	WPP UK Credit Fund		707,830	
0	WPP Infrastructure (Closed Ended)		16,897	
0	WPP Local Investment		2,918	
	Other Pooled Investments			
438,537	Passive UK Gilts		539,630	
223,739	Passive Equities		278,382	
290,130	Pooled Property		288,102	
29,613	Pooled Infrastructure		38,507	
<b>4,222,733</b>				<b>4,680,405</b>
<b>31,111</b>	<b>Cash deposits</b>			<b>33,977</b>
	<b>Other investment balances</b>			
1,898	Investment debtors		1,335	
685	Tax recoverable		638	
<b>2,583</b>		11.0		<b>1,973</b>
<b>4,256,427</b>				<b>4,716,355</b>
	<b>Investment Liabilities</b>			
<b>(65)</b>	Investment creditors	11.0		<b>(4,506)</b>
<b>4,256,362</b>	<b>Net Investment Assets</b>	8.0, 9.0 & 11.0		<b>4,711,849</b>
	<b>Current assets</b>			
6,916	Contributions due from employers and employees		7,334	
615	Other current assets		1,268	
<b>7,531</b>				<b>8,602</b>
<b>(3,418)</b>	<b>Current liabilities</b>			<b>(3,876)</b>
<b>4,260,475</b>	<b>Net assets of the scheme available to fund benefits at period end</b>			<b>4,716,575</b>

## **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 31<sup>st</sup> March 2024 obtained from recognised Stock Exchanges.

Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31<sup>st</sup> March 2024.

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 £1.85m and the market value of invested AVCs at the Balance Sheet date was £11.03m. 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 2023/24 amounted to £1.78m (£1.22m in 2022/23). 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. In the interim potentially relevant standards include:

- IFRS 16 Leases (as the Pension Fund has not decided to voluntarily implement IFRS 16 in the 2023/24 year).

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
  - clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

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.

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
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 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.

#### **5.0 Events after the Reporting Date**

The audited Statement of Accounts was authorised for issue by the Deputy Chief Executive/Group Director – Finance, Digital and Frontline Services, as Chief Finance Officer, on 6<sup>th</sup> November 2024. 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 31<sup>st</sup> March 2024, 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 31<sup>st</sup> March 2024 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 31<sup>st</sup> 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)

### **Equalisation and Indexation of Guaranteed Minimum Pensions (GMPs)**

The disclosures allow for full CPI inflation pension increases to be paid on Guaranteed Minimum Pension (GMP) for those reaching State Pension Age on or after 6<sup>th</sup> April 2016. This recognises the cost of the Government's commitment to compensate public service scheme members from the removal of the Additional Pension element of the State Pension from this date, and for the outcome of the Lloyds judgement which found GMPs to be illegally sex discriminatory. Government has recognised that this solution will not address all sex inequalities for a minority of members and further guidance is expected from DLUHC on how they propose to deal with this. These inequalities are expected to be small.

In October 2020 a second ruling in the Lloyds bank case clarified that compensation would be required for members who transferred benefits out since May 1990. Government has not yet acknowledged a liability in public service schemes nor indicated an approach in rectifying this. Therefore, no allowance for potential liabilities relating to the second Lloyds ruling is included in the accounts.

### **Cost Management Process in the LGPS incl. McCloud**

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the "Cost Management Process". The outcomes of the reviews recommended no changes to the provisions of the scheme. However, the legality of the Government's decision to include McCloud costs as a member cost within the 2016 HMT process was challenged by a Judicial Review brought by trade unions. The Judicial Review was unsuccessful, and the

unions were given permission to appeal that decision. On 17th April 2024, the judgment given by the Court of Appeal on trade unions' challenge to the way in which McCloud costs were handled under the 2016 cost management process for public service schemes was published. The Court of Appeal agreed with the earlier ruling of the High Court and consequently, it has been found legitimate that the McCloud costs were treated as member costs within the process. This in turn means that there was no breach of the cost "floor" under the process and there is no requirement to revisit the outcome of the 2016 scheme-wide valuations, under which no benefit changes were made.

On 11th April 2024, the Government Actuary's Department (GAD) published its completed valuation on the scheme wide LGPS England & Wales valuation as at 31 March 2020. The valuation found that the core 'cost cap cost' of the scheme lies outside the 3% cost control mechanism corridor (3.2% below target cost) that is in operation for this valuation.

However, there is now also an "economic check" that GAD carries out to take account of the wider economic situation. This check includes considering reduced long-term expectations for UK economic growth as reflected in the Government's 'SCAPE' discount rate. This also lies outside the 3% corridor, but in the other direction (7.3% above target cost). As a result, the "cost cap corridor" as a whole is not breached and the Government is not proposing to make any changes to LGPS benefits.

The England & Wales Scheme Advisory Board announced on 19th April 2024 that it will shortly be publishing the final report of the separate scheme cost assessment that it is required to undertake under Regulation 116 of the LGPS Regulations 2013, in which different actuarial assumptions are used. However, the Board has already seen the initial results and agreed that it is "not minded to recommend to the Secretary of State any changes to LGPS benefits through that process".



## 7.0 Analysis of Investments at Fair Value

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
<b>Equities</b>				
Global	786,080		444,003	
		<b>786,080</b>		<b>444,003</b>
<b>Pooled funds</b>				
WPP Global Equities	1,933,913		2,250,754	
WPP Sustainable Equities	0		113,382	
WPP UK Credit Fund	520,721		707,830	
WPP Infrastructure (Closed Ended)	0		16,897	
WPP Local Investment	0		2,918	
		<b>2,454,634</b>		<b>3,091,781</b>
<b>Other Pooled Investments</b>				
Pooled UK Gilts	438,537		539,630	
Pooled Passive Equities	223,739		278,382	
Pooled Property	290,130		288,102	
Pooled Infrastructure	29,613		38,507	
		<b>982,019</b>		<b>1,144,621</b>
<b>Total long-term investments</b>		<b>4,222,733</b>		<b>4,680,405</b>

The Fund has participated in stock lending arrangements through its investments in the WPP. The total income received by the WPP from stock lending in 2023/24 is £200k.

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:

<b>Investment</b>	<b>Valuation Hierarchy</b>	<b>Basis of Valuation</b>	<b>Observable and Unobservable inputs</b>	<b>Key sensitivities affecting the valuations provided</b>
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:

	<b>Infrastructure Fund</b>
Value as at 31st March 2023	29,613
Transfers out of level 3	0
Capital Calls (purchases)	27,023
Return of Investment (sales)	0
Unrealised gains and losses	1,686
Realised gains and losses	0
<b>Total</b>	<b>58,322</b>

	<b>Infrastructure Fund</b>
Value as at 31st March 2022	12,549
Transfers out of level 3	0
Capital Calls (purchases)	14,082
Return of Investment (sales)	0
Unrealised gains and losses	2,982
Realised gains and losses	0
<b>Total</b>	<b>29,613</b>

**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:

<b>Fund Manager</b>	<b>Market Value</b>		<b>Proportion of Fund</b>	
	<b>31/03/2023</b> <b>£'000</b>	<b>31/03/2024</b> <b>£'000</b>	<b>31/03/2023</b> <b>%</b>	<b>31/03/2024</b> <b>%</b>
Baillie Gifford (Equities)	790,914	446,592	18.6	9.5
BlackRock (Passive Low Carbon Equities)	223,739	278,383	5.2	5.9
BlackRock (Passive Gilts)	438,537	539,630	10.3	11.5
BlackRock (Infrastructure)	29,613	38,507	0.7	0.8
Capital Dynamics (Local Investment)	0	2,918	0.0	0.1
CBRE (Property)	299,452	289,990	7.0	6.2
GCM Grosvenor (Closed End Infrastructure)	0	16,897	0.0	0.4
Waystone (Global Growth)	1,526,579	1,763,568	35.9	37.3
Waystone (Global Opportunities)	407,334	487,186	9.6	10.3
Waystone (Sustainable Equity)	0	113,382	0	2.4
Waystone (UK Credit Fund)	520,721	707,830	12.2	15.0
Internal	19,473	26,966	0.5	0.6
<b>Total</b>	<b>4,256,362</b>	<b>4,711,849</b>	<b>100</b>	<b>100</b>

No single investment accounted for more than 5% of the Fund's assets.

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 £1.245m (£1.165m in 2022/23) 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 01/04/23	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/24
	£'000	£'000	£'000	£'000	£'000
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
	<b>4,222,733</b>	<b>508,162</b>	<b>(451,105)</b>	<b>400,615</b>	<b>4,680,405</b>
Cash Deposits	31,111				33,976
Investment Debtors	2,583				1,974
Investment Creditors	(65)				(4,506)
<b>Total</b>	<b>4,256,362</b>			<b>400,615</b>	<b>4,711,849</b>

## Comparative note for 2022/2023:

	Market Value 01/04/22	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/23
	£'000	£'000	£'000	£'000	£'000
Global Equities	862,088	176,745	(147,677)	(105,076)	786,080
Pooled Global Equities	1,946,816	13,597	0	(26,500)	1,933,913
Pooled Sustainable Equities	0	0	0	0	0
Pooled UK Credit	574,240	10,422	0	(63,941)	520,721
Pooled Infrastructure (Closed Ended)	0	0	0	0	0
Pooled Local Investment	0	0	0	0	0
Other Pooled UK Gilts	523,355	0	0	(84,818)	438,537
Other Pooled Equities	233,296	0	0	(9,557)	223,739
Other Pooled Property	331,483	7,740	(5,687)	(43,406)	290,131
Other Pooled Infrastructure	12,549	14,082		2,982	29,612
	<b>4,483,827</b>	<b>222,586</b>	<b>(153,364)</b>	<b>(330,316)</b>	<b>4,222,733</b>
Cash Deposits	26,164			31,114	31,111
Investment Debtors	4,594				2,583
Investment Creditors	(4,400)				(65)
<b>Total</b>	<b>4,510,185</b>			<b>(299,202)</b>	<b>4,256,362</b>

**11.0 Profits and Losses on Investments**

	2022/23	2023/24
	£'000	£'000
Profit on sales	64,796	87,134
Loss on sales	(42,272)	(56,322)
<b>Net profit / (loss) on sales</b>	<b>22,524</b>	<b>30,812</b>
Change in market value	(321,726)	369,803
<b>Net increase/ (decrease) in value</b>	<b>(299,202)</b>	<b>400,615</b>

**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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	11,528	11,977	39,690	36,186	40,804	50,402
Admitted	4,261	4,595	19,416	17,103	16,882	20,679
Scheduled	18,627	20,397	53,879	58,030	84,838	95,624
<b>Total</b>	<b>34,416</b>	<b>36,969</b>	<b>112,985</b>	<b>111,319</b>	<b>142,524</b>	<b>166,705</b>

Included in employer contributions are £906k of deficit funding contributions (£4,224k in 2022/23).

### 13.0 Management Expenses

The management expenses borne by the Fund in 2023/24 are set out below:

	2022/23	2023/24
	£'000	£'000
Administrative Costs	2,181	2,689
Investment Management Expenses	10,775	11,546
Oversight and Governance Costs	441	410
<b>Total</b>	<b>13,397</b>	<b>14,645</b>

Investment management expenses represent 0.25% (0.25% in 2022/23) of the value of the Pension Fund as at 31<sup>st</sup> March 2024.

2023/24 Audit Fees of £54k are included in Oversight and Governance Costs (£41k in 2022/23).

The investment management expenses borne by the Fund in 2023/24 are set out below:

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
	<b>11,126</b>	<b>8,773</b>	<b>2,353</b>
Custody Fees	420		
<b>Total</b>	<b>11,546</b>		

## Comparative Note for 2022/23:

2022/23	£'000	£'000	£'000
	Total	Management Fees	Transaction Costs
Equities	1,829	1,486	343
Pooled Funds			
WPP Global Equities	7,295	6,024	1,271
WPP Sustainable Equities	0	0	0
WPP UK Credit Fund	593	484	109
WPP Infrastructure (Closed Ended)	0	0	0
WPP Local Investment	0	0	0
Other Pooled Investments			
UK Gilts	24	24	0
Passive Equities	21	21	0
Pooled Property	552	551	1
Pooled Infrastructure	0	0	0
	<b>10,314</b>	<b>8,590</b>	<b>1,724</b>
Custody Fees	461		
<b>Total</b>	<b>10,775</b>		

The Fund incurs no performance related fees.

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:

	2022/23	2023/24
	£'000	£'000
<b>WPP Oversight and Governance Costs</b>		
Running Costs	158	171
<b>WPP Investment Management Expenses</b>		
Fund Managers Fees	6,961	7,306
Transaction Costs	880	1,382
Custody Fees	407	386
<b>Total</b>	<b>8,406</b>	<b>9,245</b>

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 (£1.6m in 2022/23). 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 £7.3m (£6.9m in 2022/23), of which £5.5m related to employer contributions and £1.8m 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 – Finance, Digital and Frontline Services. 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).

## 15.0 Membership of the Fund

Fund membership at 31<sup>st</sup> March is as follows:

	2023	2024
Active Employers	54	58
Contributors	24,027	25,349
Pensioners	18,860	19,640
Dependants	3,018	3,147
Deferred Beneficiaries	30,702	31,943

## 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 31<sup>st</sup> March 2024 amounted to £25.03m with the institution shown in the table below:

<b>Institution</b>	<b>Balance at 31/03/24 £'000</b>	<b>Maturity Date</b>
Debt Management Office	9,680	02/04/2024
Debt Management Office	15,350	03/04/2024
<b>Total</b>	<b>25,030</b>	

## 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 2023/24 financial year. The possible impact of movements in each asset type is shown in the following table:

Asset type	31/03/24 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Equities	444,003	11.40	494,619	393,387
Pooled Funds - Global Equity	2,250,754	11.40	2,507,340	1,994,168
Pooled Sustainable Equities	113,382	11.40	126,308	100,456
Pooled Funds UK Credit	707,830	7.90	763,749	651,911
Pooled Infrastructure (Closed Ended)	16,897	3.30	17,455	16,339
Pooled Local Investment	2,918	3.30	3,014	2,822
Other Pooled UK Gilts	539,630	7.90	582,261	496,999
Other Pooled Passive Equities	278,382	11.40	310,118	246,646
Other Pooled Property	288,102	5.90	305,100	271,104
Other Pooled Infrastructure	38,507	3.30	39,778	37,236
Cash	31,444	0.70	31,664	31,224

PIRC also advised that the potential market movement for the Fund as a whole, could be 7.6%. The possible impact is shown below:

	31/03/2024 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Fund Asset Total	4,711,849	7.6	5,069,950	4,353,748

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 2023/24 financial year would have the following effect:

Asset type	31/03/24 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Pooled Funds UK Credit	707,830	714,908	700,752
Other Pooled Gilts	539,630	545,026	534,234
Cash deposits & balances	31,444	31,758	31,130
<b>Total</b>	<b>1,278,904</b>	<b>1,291,692</b>	<b>1,266,116</b>

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 5.6% would have the following effect:

Asset type	31/03/24 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	281,485	297,248	265,722
<b>Total</b>	<b>281,485</b>	<b>297,248</b>	<b>265,722</b>

## **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**

I have audited the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2024 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 significant 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 2024.

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 2024, 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;
- 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 2024.

### **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 of Public Sector Entities 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 provided 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 4 to 5, 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 the 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.

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.
- 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, posting of unusual journals.
- Obtaining an understanding of related party relationships.

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

- enquiring of management, 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.

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](http://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  
7 November 2024

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

The maintenance and integrity of the RCT County Borough Council website is the responsibility of the Council. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the web site

## 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 Her 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 1<sup>st</sup> April and finishes on 31<sup>st</sup> 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.

**GMP**

Guaranteed Minimum Pension.

**Impairment**

Impairment occurs when the value of a long-term asset falls below the value it is currently held at in the Fund Account.

**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.

**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.

**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.

**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.

