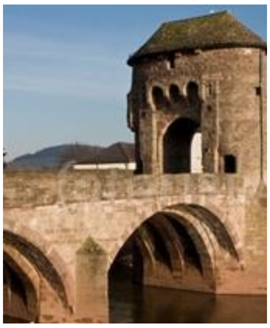
Greater Gwent (Torfaen) Pension Fund
Annual Report & Accounts

Cronfa Bensiwn Gwent Fwyaf (Torfaen)
Adroddiad Blynyddol a Chyfrifon

2019/2020

Nigel Aurelius, CPFA
Assistant Chief Executive Resources


www.gwentpensionfund.co.uk

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Statement of Responsibilities for the Pension Fund Accounts

The Council's responsibilities as Administering Authority

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Assistant Chief Executive (Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Pension Fund accounts.

The Assistant Chief Executive (Resources)'s Responsibilities

The Assistant Chief Executive (Resources) is responsible for the preparation of the Pension Fund accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Pension Fund accounts, the Assistant Chief Executive (Resources) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Assistant Chief Executive (Resources) has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Assistant Chief Executive (Resources)'s Certificate

I certify that the Pension Fund accounts give a true and fair view of the financial position of the Greater Gwent (Torfaen) Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2020.

Signed by:

Nigel Aurelius, CPFA
Assistant Chief Executive (Resources)
Date: 15 September 2020

CHAIRS INTRODUCTION

Welcome to this year's Pension Fund Annual Report and Accounts. Whilst the subject of Pensions may not always be the hot topic of conversation around the dinner table, for those working in the area of pensions, it is ever changing, increasingly challenging and never ceases to provide surprise and uncertainty. This year has been no exception. The year has seen the prospect of further scheme changes via the application of the Governments overall cost cap control mechanism of the scheme. This was then, almost immediately, placed on hold by the ramifications of the McCloud age discrimination case affecting all public sector pension schemes before Brexit uncertainty and then the Covid-19 pandemic took centre stage. All these factors impact the Pension Fund and require us to think both longer term for our scheme members and the Fund employers whilst we must also be able to act more nimbly to support shorter term requirements.

I am however delighted to have the opportunity to provide an introduction to this year's Pension Fund Annual Report after such a year. We have, as ever, tried to place the service to our members at the forefront of what we do and in this context, I can only hope that this time next year, the world has returned to a more stable and safer place for the benefit of all of our scheme members, whether working or retired.

Governance
In 2019/20, the Fund's Pensions Committee met regularly, with a particular focus on investment strategy, managing risks and collective pooling arrangements. Significant steps on our responsible investor journey have also taken place together with undertaking the latest Actuarial Valuation of the Fund which showed a healthy increase in funding level as at March 2019. The Fund continues to look to manage investment risk and it is pleasing that the diversified approach taken towards the Fund's investments has provided some degree of protection against the extremely difficult market conditions experienced in the first 3 months of 2020 caused by the Covid-19 pandemic.

Pooling
The Wales Pension Partnership (WPP) is the all Wales collective investment pooling arrangement which implements the investment requirements of all 8 LGPS funds in Wales, once each has determined its own investment strategy. The aim is to achieve economies of scale in investment management fees together with improved investment returns. This year has seen further work and the Fund has placed its UK equities into the Pooling arrangements. Extensive work has also been taking place to develop a range of policies that support the wider governance arrangements of the Pool. The Torfaen Fund has to date already placed almost half of its assets within collaborative arrangements with further moves planned for next year in respect of Fixed Interest and other equity classes.

Responsible Investing
I mentioned last year that the Fund is undertaking more work than ever in the area of Responsible Investing and 2019/20 has seen further tangible progress towards our goal to reduce carbon emissions across the Fund by moving all our passive, index tracker funds (almost £600m) into a low carbon product designed to reduce emissions on that part of the Fund by 80%. Notwithstanding this step, and conscious of the demands of climate change, the Fund continues to look at ways it can further reduce its carbon footprint which remains an ongoing priority into the future.

Chair of Pensions Committee
Councillor Glyn Caron

CHIEF OFFICERS INTRODUCTION

Administration
This year has been a busy year with a variety of governance and reporting requirements on the agenda including consideration of the Pensions Regulator Report on Governance and Administration Risks in the LGPS, agreement of a Responsible Investment Policy Framework including a Climate Change Policy, appointment of Northern Trust as the new global custodian, developments with the implementation of the cost cap and the effect of the McCloud judgement, the implementation of quarterly reviews of the risk register, the 2019 Actuarial valuation and continuing work to reconcile Guaranteed Minimum Pensions. This is of course all in addition to the core work of the section which is focussed on administering the benefits of members including the payments to our pensioners. At the same time, the need for improved cost efficiencies and transparency has continued via increased performance reporting for the Pensions Regulator and Scheme Advisory Board.

Membership numbers have again increased during the year by 1.5% to 61,120 as at 31st March 2020 with both active (+1.1%) and pensioner (+4.3%) membership increasing but offset in part by a reduction in deferred members (-0.7%). The net effect is that active contributors remain at about 40% of the total fund membership with the balance split fairly equally between pensioners and deferred benefits. Workloads have continued to increase in most areas with over 14,000 (+7.5% on 2018/19) core tasks being undertaken around retirements, deferred members, transfers and deaths in service. The 'My Pension Online' (MPO) service now has approaching 22,000 (35%) scheme members signed up with almost 50% of active members using the service. Active and Deferred members once again received their Annual Benefit Statements via the member portal and Pensioners are now also able to access their payslips and P60s via 'MPO'. The Team has also continued to work closely with employers, to encourage the use of Employer Self Service.

Investments
In the last 12 months, the Fund has agreed a revised strategic asset allocation together with an updated Funding Strategy Statement from 1 April 2020. The year has however been extremely challenging with the positive progress of the first 9 months all washed away by falls of between 25%-30% in Equity markets in early 2020 as the ramifications of the Covid-19 pandemic became evident and many economies effectively shut down. This period has been one of the most dramatic on record and the road to recovery will take time and will be uncertain. Over the 12 month period, the Fund had a negative investment return of -7.05% with a fall in the final quarter of almost 15%. This could have been higher but the Funds diversification to Alternatives and Fixed Interest acted as a cushion to some of the extreme equity falls. The Fund market value therefore reduced from £2,929 million to £2,728 million by the year end. Longer term performance as shown elsewhere within this report was also adversely affected by such large short term changes. The strategy for the Fund however remains long term and the spread of investments will rebuild lost ground over future reporting periods.

I would like to thank all the staff of the Pension Fund for their commitment and hard work towards delivering a quality service, especially during the current challenging environment. Staff continue to place the scheme members first and this is clearly valued by our members, together with those charged with the governance of the Fund.

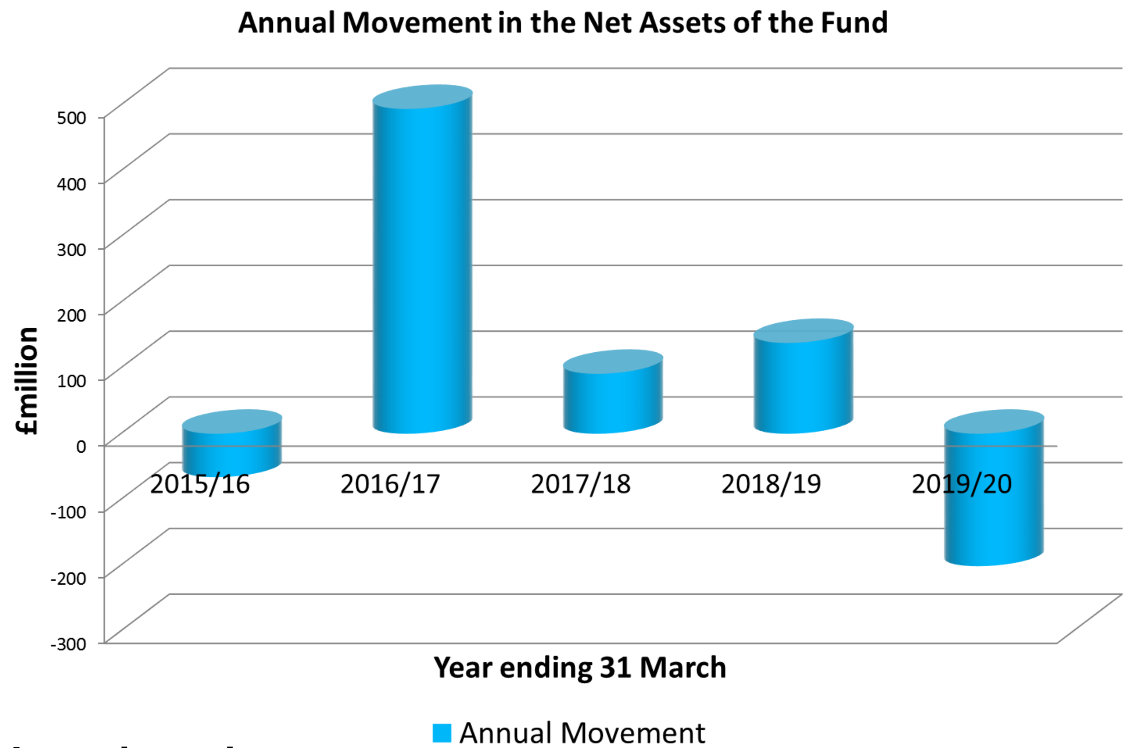
And finally. This year sees the retirement of Graeme Russell as the Head of Pensions to the Fund. Graeme has been involved with the Fund for nearly thirty years from Gwent County Council days. He leaves the Fund in good health and well positioned to continue to take the advantages that pooling within the Wales Pension Partnership presents. On behalf of the Greater Gwent (Torfaen) Pension Fund I wish Graeme a long and happy retirement and thank him for his considerable contribution over such a long period.

Assistant Chief Executive (Resources)
Nigel Aurelius

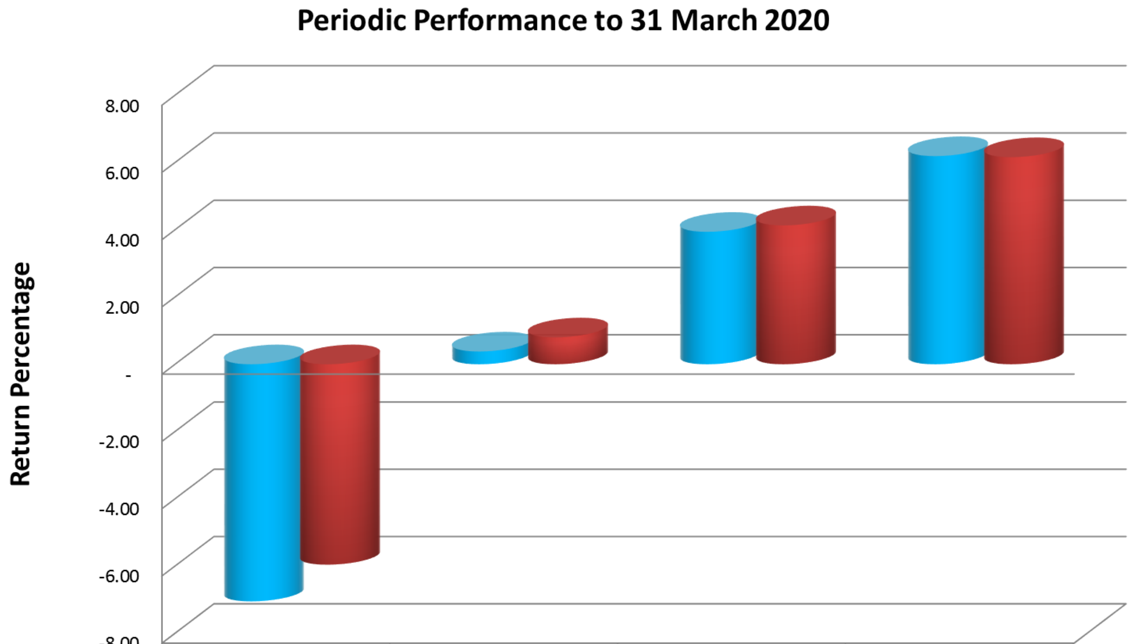
OVERVIEW

1. 2019/2020 in summary

Total Scheme Members	Net Assets of the Fund	Payments to Pensioners	Total Contributions
61,120	£2.7bn	£123.185m	£129.790m

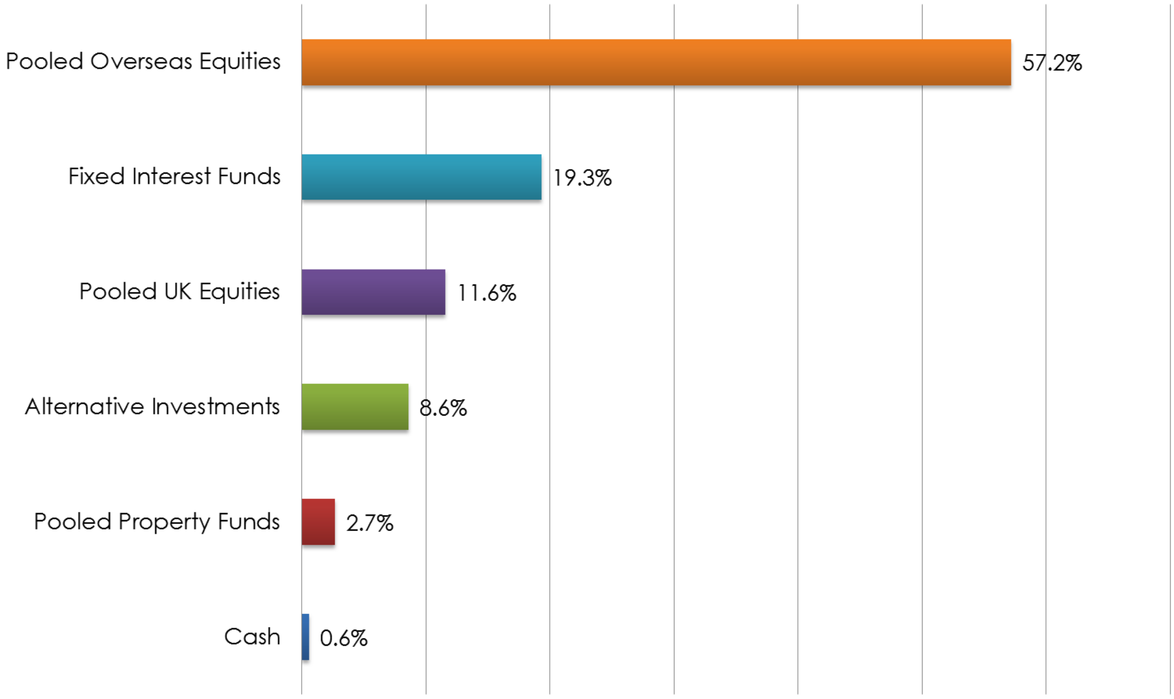


2. Investments



	1 Year	3 Years	5 Years	10 Years
Fund	-7.05	0.38	3.94	6.19
Benchmark	-5.96	0.80	4.13	6.16

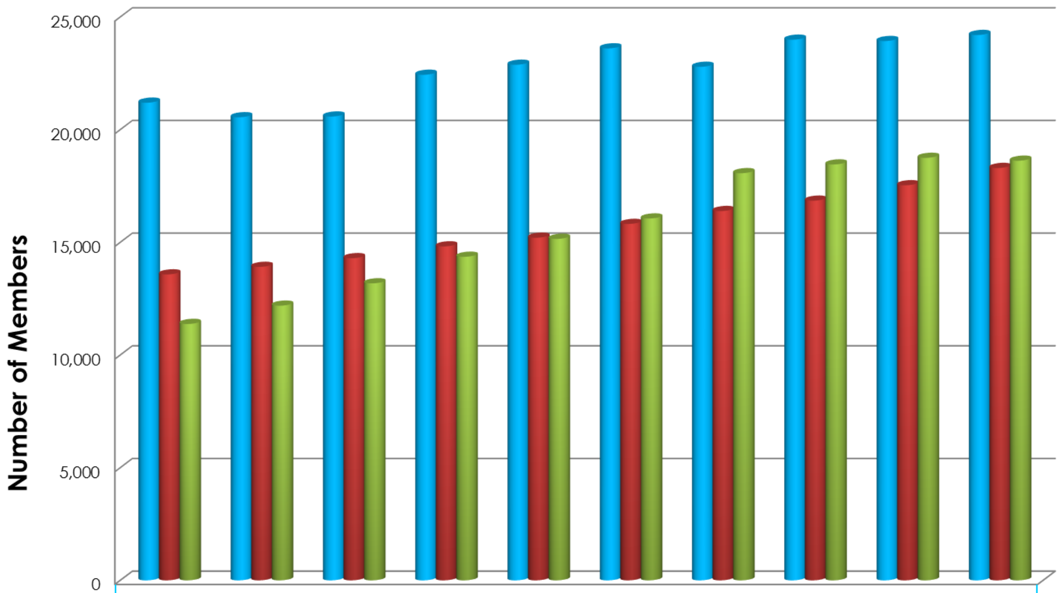
Portfolio distribution as at 31 March 2020



3. Membership

Contributing Members	Members in Receipt of Pension	Members with Deferred Benefits
24,200	18,299	18,621

Split of Fund Membership as at 31 March



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contributors	21,196	20,550	20,582	22,435	22,880	23,607	22,788	23,991	23,932	24,200
Pensioners	13,576	13,910	14,296	14,820	15,204	15,816	16,388	16,848	17,533	18,299
Deferred benefits	11,378	12,189	13,180	14,359	15,153	16,058	18,068	18,455	18,749	18,621

GOVERNANCE AND FINANCIAL PERFORMANCE REPORT

1. Scheme management and advisors

1.1 The Greater Gwent (Torfaen) Pension Fund is administered in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) (The 2013 Regulations), and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) (The Transitional Regulations). It is the appropriate occupational pension scheme for employees of local authorities in the Greater Gwent area with the exception of teachers and lecturers, who have a separate scheme which applies to them. In addition, the employees of certain bodies providing public services are admitted to the Fund. Details of the authorities covered by the scheme are given on page 62.

1.2 Torfaen County Borough Council has established a Pensions Committee to discharge the duties of the Council as Administering Authority of the Fund. The Pensions Committee operates within the Council's constitutional arrangements.

1.3 This committee deals with all matters relating to the Fund. As at 31 March 2020 the membership of the Pensions Committee, together with advisors and dedicated internal officers for the Fund are as follows:-

Chair
Councillor Glyn Caron

Committee Members
Councillor Huw Bevan
Councillor Veronica Crick JP
Councillor Jon Horlor
Councillor Peter Jones
Councillor Raymond Williams

Administrator
Nigel Aurelius, Assistant Chief Executive (Resources)

Head of Pensions
Graeme Russell
Tel: 01495 742625
E-mail: graeme.russell@torfaen.gov.uk

Pension Manager
Joanne Griffiths
Tel: 01495 766280
E-mail: joanne.griffiths@torfaen.gov.uk

External Investment Advisors
Aoifinn Devitt, Independent Consultant
Elizabeth Carey CFA, Independent Consultant

Consulting Actuary
Hymans Robertson (Douglas Green)

Investment Consultant
Mercer Investment Consulting (Joanne Holden)

Solicitor and Legal Advisor to the Fund
Tim James, Chief Legal Officer
Delyth Harries, Monitoring Officer and Assistant Chief Legal Officer

Investment Fund Managers
BlackRock
Fidelity Worldwide Investment
Invesco Perpetual
Lazard Asset Management - terminated IMA March 2020
Aberdeen Standard Investments
Russell Investments

Fund Custodian
Northern Trust
During 2019/20, Northern Trust became the Fund's appointed global custodian, taking over from Bank of New York Mellon in November 2019.

Wales Pension Partnership FCA Authorised Operator
Link Fund Solutions

Wales Pension Partnership Investment Management and Advisory Services
Russell Investments

Fund Auditor as at 31 March 2020
Wales Audit Office

Bankers to the Fund as at 31 March 2020
Lloyds Bank
1 Gwent Square
New Town Centre
Cwmbran, South Wales
NP44 1XN

AVC Providers to the Fund as at 31 March 2020
Standard Life
Clerical Medical
Utmost Life and Pensions (previously Equitable Life)

If you need more information you can write to:-

Pensions Section
Torfaen County Borough Council
Civic Centre
Pontypool
Torfaen NP4 6YB

Or visit the website:-
www.gwentpensionfund.co.uk

2. Local Pension Board Annual Report

This section constitutes the Annual Report of the Local Pension Board 2019/2020 and was agreed by the Pension Board on 28 April 2020.

2.1 Background

The Board was constituted under the Public Service Pensions Act 2013 and held its first meeting as required by 31 July 2015. It consists of five representatives of the scheme employers and five representatives of scheme members. In addition it has a non-voting independent Chair. The members of the Pension Board during 2019-20 were:

Independent Chair
Ian Coleman (4)

Employee Representatives
Bob Campbell (3)
Ian Reese (4)
Anthea Wellington (4)
John Wright (3)
Vacant

Employer Representatives
Steve Harford (3)
Rhian Hayden (4)
Clive Rogers (3)
Meirion Rushworth (2)
Jane Waters (3)

Note: The numbers in brackets indicate the number of Pension Board meetings attended during 2019-20.

The Pension Board met on four occasions during 2019-20: 24 April 2019, 24 July 2019, 23 October 2019 and 26 February 2020. The meeting which was originally scheduled for 22 January 2020 had to be rescheduled to 26 February 2020.

The Board has operated throughout 2019-20 with only four employee representatives, Jan Davies having resigned at the end of 2018-19. Extensive efforts to recruit a replacement have proved unsuccessful to date.

2.2 Functions and Operation of the Board

- The two primary functions of a Local Pension Board are to assist the Administering Authority to:

  i) Ensure effective and efficient governance and administration of the LGPS
  ii) Ensure compliance with relevant laws and regulations

- The Pension Board has a monitoring, assisting and reviewing purpose, rather than being a decision making body. It could be seen as being a critical friend. As such, the general approach of the Pension Board is to seek assurances, with evidence provided by the Pension Fund and from other sources, that the Fund is meeting its objectives, producing all required statements and adequately managing risks.

- In so doing, the Pension Board is helping to manage the reputational risk of the Pension Fund, and of the Administering Authority, which is under more scrutiny now that the LGPS in England and Wales has the Ministry for Housing, Communities and Local Government (MHCLG), The Pensions Regulator (TPR) and the LGPS Scheme Advisory Board (SAB) all with some regulatory responsibilities.

- The Pension Board operates under Terms of Reference which were agreed by Torfaen Council on 3 March 2015.

2.3 **Developments During 2015-19**

- The establishment and initial meetings of the Pension Board during 2015-16 coincided with the Administering Authority having to respond to the then Department for Communities and Local Government (DCLG) by 19 February 2016 on consultation documents on both the proposed pooling of LGPS investments, and on proposed revised Investment and Management of Funds Regulations.

- During 2016-17, the Administering Authority had to make a further submission to the DCLG on the pooling of investments by 15 July 2016. A Memorandum of Understanding relating to the procurement of services by the Administering Authorities of the LGPS in Wales was prepared on 11 October 2016, and on 23 November 2016 the DCLG approved the establishment of the all Wales investment pool, to be known as the Wales Pension Partnership (WPP). On 28 February 2017 the Council approved an Inter Authority Agreement (IAA) covering the WPP.

- In addition to the pooling of investments; other developments in 2016-17 included the triennial valuation at 31 March 2016 and the preparation of a new statutory document, the Investment Strategy Statement, by 31 March 2017.

- During 2017-18, following on from the approval of the IAA, Carmarthenshire CC was appointed as Host Authority for the WPP. A selection questionnaire in May 2017 for the appointment of an operator elicited eight responses and on 9 June 2017, an Invitation to Tender was issued to six potential operators with responses due by 17 July 2017. A progress report was submitted to the DCLG in October 2017, and on 7 November 2017, the Joint Governance Committee of the WPP recommended the appointment of Link Fund Solutions as the Operator. This recommendation was approved by the Council in December 2017.

- In addition to the WPP, other developments in 2017-18 included the creation of a Responsible Investment Working Group which was proposed by the Pension Board on 19 July 2017 and which met for the first time on 13 December 2017; the implementation of the Markets in Financial Instruments Directive on 3 January 2018; support for the SAB voluntary code of reporting on investment cost transparency and consistency; and preparation for the implementation of the General Data Protection Regulations on 25 May 2018.

- During 2018-19, the Pension Board reviewed the governance and administration arrangements of the WPP as these began to impact on the Greater Gwent (Torfaen) Pension Fund.

- The Pension Board also reviewed progress on the following specific issues during 2018-19:

  - Implementation of the General Data Protection Regulations on 25 May 2018
  - Implementation of the LGPS Amendment Regulations on 19 April 2018
  - Agreement to a set of Responsible Investment Principles as recommended by the Responsible Investment Working Group

- Specific developments at the WPP during 2018-19 which were kept under review by the Pension Board included:

  - Approval from the FCA for the operation of an Authorised Contractual Scheme
  - Launching of the Global Equities sub funds in January 2019
  - Arrangements for the appointment of Transition Managers

2.4 **A Review of Activity in 2019-20**

- During 2019-20, the Pension Board has continued to provide support to the Greater Gwent (Torfaen) Pension Fund by reviewing the governance and administration arrangements of Torfaen Council, the Pensions Committee and the Wales Pension Partnership as they impact on the Greater Gwent (Torfaen) Pension Fund.

- The following list represents a brief summary of some of the specific issues which the Administering Authority has had to address during the year.

  - The actuarial valuation as at 31 March 2019
  - Contributing and responding to the Scheme Advisory Board Good Governance Report
  - Reviewing the Pensions Regulator Engagement Report on Governance and Administration Risks
  - Agreement of a Responsible Investment Policy Framework as recommended by the Responsible Investment Working Group
  - Agreement of a Climate Change Policy as recommended by the Responsible Investment Working Group
  - Appointment of Northern Trust as the new custodian
  - Agreement of a revised strategic asset allocation
  - Agreement of a revised Funding Strategy Statement from 1 April 2020
  - Developments with the implementation of the cost cap and the effect of the McCloud judgement
  - Implementation of quarterly reviews of the risk register
  - Continuing work to reconcile Guaranteed Minimum Pensions
  - A review of the Internal Audit arrangements of the Pension Fund
  - Growing local, national and global concern about climate change

- Developments at the WPP during the year which have been kept under review by the Pension Board have included

  - Introduction of new reporting arrangements
  - Agreement of a Responsible Investment Policy
  - Agreement of a Communications Plan
  - Establishment of regular meetings of the Pension Board Chairs with the WPP
  - Agreement to stock lending
  - Launch of the UK equities fund in September 2019
  - Appointment of Hymans Robertson as Governance and Oversight Advisor in December 2019

- In 2019-20 there was a financial budget for the Pension Board of £25,000 within the overall budget of the Pension Fund. The travelling and training expenses relating to Scheme Member and Employer representatives are charged to this budget, as are the fees and expenses of the Independent Chair. The Pension Board has contained its expenditure well within the approved budget. The Pension Board is mindful of delivering value for money, and has identified means of working in a cost-effective manner. By so doing, it is seeking ways of saving administration costs, plus the valuable time of officers, without compromising the functionality of the Pension Board.

2.5 **Detailed Work of the Board**

i) **Scheme Documents**
The Pension Board has examined all of the scheme documents which are required to be in place and is satisfied with the content, and arrangements for review, of all documents. However, the Board has requested that work be undertaken to produce a Pensions Administration Strategy.

ii) **Risk Management and the Risk Register**
Following a recommendation from the Pension Board in 2016, it was accepted that there were benefits in the production of a risk management policy and risk register specifically for the Pension Fund, rather than it being an integrated part of the policy and risk register of Torfaen Council. Officers of the Fund produced a risk register which was approved by the Pensions Committee and shared with the Pension Board on 20 July 2016. This has been regularly reviewed and updated. Following the latest review, the Pension Board on 26 February 2020 agreed that the risk register should be reviewed quarterly.

iii) **Recording and Reporting Breaches**
The Pension Board and its members have a responsibility to report breaches of law to The Pensions Regulator. The Pension Board has examined the recording and reporting procedures and is satisfied with the system in place.

iv) **WPP**
Reference has already been made to the impact on the workload of the requirement to initially respond to DCLG consultations and then subsequently to create the Wales Pension Partnership. The decision on investment pooling represents the most significant individual decision by the Administering Authority for many years. As such it has been appropriate for the Pension Board to review the decision-making process at each stage and comments have been provided as appropriate to support the prescribed process of change. Operation of the WPP and, in particular, the development of the governance and reporting arrangements, will continue to be a key interest for the Pension Board in 2020-21. The Board will be looking to continue to make a relevant and positive contribution to support the delivery of this major development.

v) **Pensions Committee Attendance**
Members of the Pension Board attend each meeting of the Pensions Committee to observe and ensure appropriate connectivity between the Committee and the Board. It also provides an opportunity for the Chair of the Board to provide more information on the views of the Board as appropriate. The Chair of the Pensions Committee is usually in attendance at meetings of the Pension Board.

vi) **Pensions Committee Agenda**
At each meeting, the Pension Board considers the previous Pensions Committee agenda to identify items for inclusion on the Pension Board work plan and to enable comments to be conveyed to the Pensions Committee as appropriate. This also enables the Pensions Committee to request consideration and comments from the Board on any issues.

2.6 **Training**

Each member of the Pension Board has to be conversant with the details of the LGPS, which translates as having a good working knowledge. During 2019-20 Pension Board members were encouraged to attend an update for Local Pension Boards in Wales from CIPFA and Barnett Waddingham; the Local Authority Pension Fund Forum; governance training provided by the LGA Local Government Pensions Committee; and a training session provided by the WPP.

Assessment of training needs, and how they are met, is a standing item on the agenda. Both formal and informal training is provided and a detailed training log of individual and Board training is maintained

2.7 **Workplan**

A work plan is kept under review and covers the following areas:

- Accounts and Budget
- Administration
- Audit and Risk Management

- Governance
- Investments
- Training
- Wales Pension Partnership

2.8 **Thanks**

I wish to thank all of my colleagues on the Pension Board who have volunteered their time and energy to serve on the Board, and for their ongoing support.

Thanks are also expressed to the Officers of Torfaen Council who have supported the Pension Board.

3. Member meeting attendance 2019/2020

	Pensions Committee meetings attended	Pension Board meetings attended
Number of meetings during the year 2019/20	**4**	**4**
Pensions Committee		
Councillor Glyn Caron (Chair)	4	
Councillor Huw Bevan	4	
Councillor Joanne Gauden (to October 2019)	1	
Councillor Jon Horlor	3	
Councillor Peter Jones	3	
Councillor Raymond Williams	3	
Councillor Veronica Crick JP (from November 2019)	2	
Local Pension Board		
Ian Coleman (Chair)		4
Employee Representatives		
Bob Campbell		3
Ian Reese		4
Anthea Wellington		4
John Wright		3
Vacant		
Employer Representatives		
Steve Harford		3
Rhian Hayden		4
Clive Rogers		3
Meirion Rushworth		2
Jane Waters		3

4. Risk management

4.1 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For the Greater Gwent (Torfaen) Pension Fund, those risks will come from a range of sources including the long-term investment strategy, the funding position, investment performance, benefits administration, membership changes, communications and financial systems. Broadly, these can be categorised as either Finance or Investment, Administration or Governance risks. The availability of good information is essential in order to ensure the complete and effective identification of significant risks and the ability to monitor them accordingly.

4.2 The Fund's approach to risk is informed by the Pensions Committee, the Local Pension Board, its advisors and officers of the Fund. The Fund's statutory documentation and accounts contain the required sections detailing the Fund's approach to the various types of risks it faces across its operations, together with the ways it looks to mitigate each of these. In particular:-

- The Governance Policy and Compliance Statement reviews the risk areas and mitigation approach within the Fund's management and governance structure.
- The Investment Strategy Statement covers risk measurement and management in an investment sense.
- The Funding Strategy Statement includes a section (prepared in conjunction with the Fund's actuary) on the identification of risks and countermeasures in relation to the Fund's funding position and investment strategy.
- The Pension Fund accounts contain a detailed section on the nature and extent of risks arising from Financial Instruments, including detailed sensitivity analysis of the potential monetary impact to the Fund of the varying financial risks.

In line with best practice, the Pension Fund also maintains a bespoke Pension Fund Risk Register which is monitored and reviewed on a regular basis by both the Pensions Committee and Local Pension Board. Risks are assessed in terms of their potential impact should they occur and in terms of the likelihood of them occurring. Each risk is initially scored assuming that no mitigating controls exist, and is then scored again on the basis of the mitigation in place. The full Risk Register is publicly available via Committee agenda papers.

4.3 A summary of the Funds most significant risks which have been considered during the 2019/20 financial year are shown in the table below.

Risk Area / Type	Risk Detail	Risk Mitigation Measures
Finance & Investment Risk		
Inappropriate long-term investment strategy	The risk that the Fund fails to meet funding objectives in the long-term to fund pension liabilities	• Regular investment performance monitoring • At least a triennial review of the Fund's funding strategy
Failure to deliver investment returns in line with actuarial expectations	The risk that the Fund's funding level could deteriorate in the short-term, increasing the pressure on employer contribution rates to fund pension liabilities	• The Fund ensures it continues to invest in a broad and diverse mix of assets across a range of global markets • The Fund challenges the actuarial assumptions recommended to the Fund to ensure it remains prudent in the long-term

Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns	The WPP fails to deliver long-term investment returns above and beyond what the Fund could have been expected to return had pooling not occurred	• Substantial governance arrangements have been established and implemented • The WPP and Constituent Authorities take appropriate professional advice on all investment considerations • Performance monitoring arrangements in place to monitor all portfolios
Inadequate consideration of Environmental, Social and Governance (ESG) risks within the Fund's investments	Failure to incorporate ESG into investment processes as well as broader responsible investment considerations could result in public pressure, political criticism as well as the risk of substantial financial losses as a result of holding stranded assets in the various portfolios	• The Fund's Responsible Investment Working Group (RIWG) meets quarterly and considers a broad range of ESG issues and makes recommendations to Pensions Committee accordingly • The Fund has established and developed its own Responsible Investment (RI) and Climate Change policies in response to emerging challenges. The revised Strategic Asset Allocation has ESG focus embedded in its approach • All future investment opportunities will have an integral ESG assessment that will need to satisfy the Fund's Responsible Investment policy framework in order for recommendations to progress to implementation stage
Insufficient Fund cash flow to meet liabilities as they fall due.	Negative cash flow would require the use of investment income to the cost of providing pension benefits rather than being reinvested. There is also the risk of forced selling of assets to meet short-term cash flow needs, potentially in adverse market conditions	• The Fund regularly manages its cash flow position and maintains up to 1% of total investment assets as a cash holding in-house • The cash strategy is regularly considered during any investment strategy review as well as during the triennial valuation process
Failure to adhere to the requirement of the LGPS regulations and comply with the Myners' Investment Principles	Risk of inefficient management of the Fund by the Administering Authority	• Compliance is regularly considered and subject to annual review in the Investment Strategy Statement (ISS) and Governance and Compliance Statement

Risk Area / Type	Risk Detail	Risk Mitigation Measures
Administration Risk		
A serious cyberattack, leading to disruption to the discharge of Administering Authority functions	Compromised data as a result of a cyberattack could lead to its potential misuse, resulting in a number of consequences including a reputational risk to the Fund	• Business continuity measures in place and frequently reviewed by ICT • The Council operates a firewall which protects the Council's IT facilities from external threats , and provides a control mechanism for access to internal Council data • A full disaster recovery plan and a Business Continuity plan for Altair pension administration software is in place and tested/updated annually
Failure to pay pensions and lump sums on time.	Financial difficulty for members who are financially dependent on the Fund to pay benefits Reputational risk to the Pension Fund Risk of additional costs to employers where interest is payable as a result of late payment	• A robust and thorough workflow procedure is in place and carried out within Altair pensions administration system • Independent checking at senior officer level to mitigate the risk of error • The Fund participates in a National Fraud Initiative • The Fund uses Western Union to carry out annual checks on overseas pensioners • External/Internal Audit of the process at least annually
Failure to issue Annual Benefit Statements (ABS) to active and deferred members by 31 July	Reputational risk to the Fund and complaints from members Breach of the regulations resulting in possible fines	• Robust procedure in place to ensure deadline can be met on an annual basis • Frequent cleansing of membership data to ensure accuracy in the production and distribution of Annual Benefit Statements (ABS) per the regulations and timescales
Non-compliance with legislation and failure to correctly implement new legislation and regulations	Reputational risk to the Fund Inaccurate calculations resulting in incorrect benefit payments being made	• In-house training provided to staff • External training/guidance issued in respect of regulation change

Risk Area / Type	Risk Detail	Risk Mitigation Measures
<u>Fund Governance Risk</u>		
Lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to administering the LGPS	Insufficient knowledge, experience, skills or resource to ensure statutory responsibilities are met Failure to provide an acceptable level of service to stakeholders	• Established governance structure operating within the Council's constitutional process • A scheme of delegation to allow senior officer decision-making if required • Scrutiny, compliance and monitoring of Fund activity carried out quarterly by the Local Pension Board • The Fund subscribes to CIPFA knowledge and skills framework and promotes training opportunities for all of its members and officers • The appointment and use of appropriately qualified external advisors • Subject to both internal and external audit testing of Fund operations on at least an annual basis
Failure to comply with LGPS and other statutory regulations in terms of policy and reform	Incorrect benefit payments being made Failure to comply with governance standards or HMRC tax requirements Poor customer feedback leading to a loss in confidence of the service provided Increased risk of IDPR and Ombudsman appeals and TPR fines, all of which would have a reputational impact on the Fund	• External training received by the LGA and other providers • In-house training provided for all staff • Fund officers remain abreast of emerging sector developments through attendance at conferences, networking, circulars and bulletins

Insufficient resource to input effectively input into the development of the Wales Pension Partnership (WPP)	The management of the Pension Fund is adversely affected due to key officers concentrating on the pooling proposal, resulting in under-performance and failure to meet statutory obligations The pooling arrangement is not fit for purpose, resulting in increased risk exposure and criticism of Central Government in their pursuit for well established, functional asset pools	• The Wales Pension Partnership (WPP) is now well established with external advisors appointed to oversee and manage the infrastructure and intellectual capital required to ensure this partnership is a success • A robust governance framework has been established and is fully operational • Representation of the Pension Fund at WPP level is shared amongst the Head of Pensions/Investment Manager, the Deputy Chief Executive of Resources and the Chair of Pension Committee as a JGC member
The use of "Third Party" external services within Fund operations Also referred to as "Other Provider Risk" within Funding Strategy Statements	Fund assets at risk through: a) Poor external investment management experience b) Security of Assets c) Inappropriate advice	This risk relates to areas such as transitions, custody and stock lending. The Fund measures and manages these Other Provider risks through: • A process of regular scrutiny and engagement • Audit of the operations the provider conducts for the Fund, or the delegation of such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds) • Retaining the power to replace a provider should serious concerns exist

5. Financial performance

5.1 The fund account (page 60) indicates a net decrease in the net assets of the scheme available to fund benefits during the year of £201.4 million for 2019/20, this follows a £138.2 million increase in the Fund in 2018/19. The summarised figures are shown in the table below.

Fund Account 31 March 2020	
	£000
Employees/employers contributions	129,790
Payments and refunds	(123,457)
Net transfer values	1,427
Net return on investments	(198,641)
Other income/expenses	(10,494)
Net increase/(decrease) in the Fund	**(201,375)**

5.2 Contributions to the Fund from members and employers have increased by £11.743 million from £118.047 million in 2018/19 to £129.790 million in 2019/20.

5.3 Transfer values received have increased from £6.280 million to £7.939 million and transfer values paid out have decreased from £7.576 million to £6.512 million.

5.4 Payments to beneficiaries in respect of pensions have increased by £4.583 million from £118.602 million in 2018/19 to £123.185 million in 2019/20.

5.5 The net assets of the Fund are represented primarily by investments (see below and page 75). Appendix 1 (page 96) illustrates the movement in the market value of investments since March 2011 and the tactical asset allocation.

Net Assets 31 March 2020		
	£000	**£000**
Bonds	524,916	
UK equities	315,993	
Overseas equities	1,555,462	
Pooled property funds	73,020	
Alternative investments	232,242	
Cash	17,370	
Other investment balances	627	2,719,630
Investment liabilities		-
Current assets		12,781
Current liabilities		(4,810)
Net Assets of the Fund		**2,727,601**

5.6 **Timeliness of receipt of contributions**

The table below sets out the percentage of contributions received from employers on or before the due date during 2019/20. The Pensions Regulator requires that contributions deducted from pay must be paid to the Fund no later than the 22nd day (19th if paying by cheque) of the next month.

	2019/2020
Percentage of contributions received on or before the due date	99.85%

The option to levy interest on overdue contributions has not been exercised.

5.7 Forecasts

The following tables show the forecasts and outturn for the fund account and net asset statement for the 3 years to 31 March 2020. Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets, and the net investment income and change in market value are based on the long term forecast returns for each asset class. Investment income is expected to decrease following the transfer of segregated UK equities into a Wales Pension Partnership pooled fund in September 2019 which accumulates income rather than distributing it. Income distributions will be reinvested and reflected in the unit price of the pooled fund to increase market value, rather than dividends being paid out.

Fund Account	**2018/2019**		**2019/2020**		**2020/2021**
	Forecast £000	**Actual £000**	**Forecast £000**	**Actual £000**	**Forecast £000**
Income					
Contributions receivable	(112,644)	(118,047)	(117,160)	(129,790)	(128,226)
Transfers in	(4,603)	(6,280)	(6,785)	(7,939)	(7,365)
Other income	-	(4)	-	(9)	-
Investment income	(22,501)	(27,211)	(9,756)	(18,884)	(5,813)
Total income to the Fund	**(139,748)**	**(151,542)**	**(133,701)**	**(156,622)**	**(141,404)**
Spending					
Benefits payable	114,601	118,602	120,311	123,185	125,758
Transfers out and refunds	6,238	7,842	7,083	6,784	7,021
Management expenses	10,086	9,550	10,384	10,503	11,116
Total spending for the Fund	**130,925**	**135,994**	**137,778**	**140,472**	**143,895**
Profit and losses on disposal of investments and changes in the market value of investments	**(134,713)**	**(122,608)**	**(143,541)**	**217,525**	**(114,323)**
Net (increase)/decrease in the Fund	**(143,536)**	**(138,156)**	**(139,464)**	**201,375**	**(111,832)**

Net Asset Statement	**2018/2019**		**2019/2020**		**2020/2021**
	Forecast £000	**Actual £000**	**Forecast £000**	**Actual £000**	**Forecast £000**
Equities	2,217,806	2,125,291	2,247,781	1,871,455	1,970,326
Government bonds	236,523	242,995	245,425	269,530	268,991
Corporate bonds	243,420	248,432	253,152	255,386	258,706
Property	74,015	73,717	76,887	73,020	75,649
Cash and alternatives	148,089	233,147	243,878	250,239	260,281
Net Investment Assets	**2,919,853**	**2,923,582**	**3,067,123**	**2,719,630**	**2,833,953**

The 2020/2021 forecasts for total investment assets are based on the actual figures for 31st March 2020, multiplied by the forecast long term returns for each asset class as provided by the Fund's Actuary.

Expected return on assets	Long term performance assumptions (20 years) as at 31 March 2020
Cash	1.6%
UK Equities	5.2%
Overseas Equities	5.3%
Government Bonds (medium term)	0.2%
Corporate Bonds (medium term)	1.3%
Property	3.6%
Alternatives – Absolute Return	4.2%
Alternatives – Direct Lending	5.0%

5.8 **Operational expenses**

	2018/2019		2019/2020		2020/2021
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Administrative costs	1,306	1,216	1,348	1,280	1,386
Investment management expenses	7,979	7,656	7,807	8,176	8,600
Oversight and governance costs	801	678	1,229	1,047	1,131
Total	**10,086**	**9,550**	**10,384**	**10,503**	**11,117**

Included in oversight and governance is an indicative budget for the cost of our involvement in the Wales Pension Partnership collaboration across Wales via investment pooling. A key aim of the pooling arrangement is to make savings in terms of external fund management fees. Oversight and governance costs will however increase due to the additional layer of governance required but investment management savings are expected to outweigh them once the Pool becomes established.

Management fees paid to investment managers are broadly based on the market value of the investments under their management and are therefore forecast to increase in line with the assets.

ASSET POOLING

1. Investment Pooling – Wales Pension Partnership (WPP)

1.1 The Greater Gwent (Torfaen) Pension Fund is a participating scheme in the All Wales investment pool formally referred to as the Wales Pension Partnership (WPP). The existing governance structure and basis by which it operates was set out in the July 2016 submission to government, and has since been extensively considered and developed. The final arrangements are set out in an Inter Authority Agreement approved by both the Pensions Committee and Administering Authority's full Council in March 2017. The objective is to deliver:

- material cost savings for participating funds whilst improving or maintaining investment performance after fees
- robust governance arrangements to oversee the Pool's activities
- a framework by which Constituent Authorities explore the benefits of wider pooling solutions and potential direct investments
- an investment framework that achieves the best outcomes for key stakeholders; the Constituent Authorities

1.2 The WPP pool consists of all eight LGPS funds in Wales including Dyfed (Host Authority), Swansea, Cardiff, Torfaen, Rhondda Cynon Taff, Powys, Clwyd and Gwynedd. Collective investment management offers the potential for savings in investment fees, opportunities to broaden investment portfolios through the increased variety of investment offerings, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

2. Governance Arrangements of the WPP

2.1 The WPP operates via a joint governance committee represented by all eight constituent authorities who have collectively appointed Link Fund Solutions as the FCA authorised operator. Link operate a collective investment vehicle for the sole use of the partnership. In addition, Link have appointed Russell Investments to provide the necessary investment management and advisory services and Northern Trust as the pool Custodian.

2.2 The arrangements in place between Constituent Authorities and the pool are as follows:

- The Joint Governance Committee (JGC) is made up of one representative from each of the eight Constituent Authorities, typically the Pension Committee chair or deputy
- The Officer Working Group (OWG) is made up of senior officer representation from each of the eight Constituent Authorities

2.3 Further details of the role and involvement of administering authorities in the governance arrangements of the pool can be found on the WPP website:

https://www.walespensionpartnership.org/

3. Pooling Progress

3.1 As at 31 March 2020, the WPP had pooled the following investments on behalf of all of its Constituent Authorities:

Pooled Investments	£000
LF Wales PP Global Opportunities Equity Fund	1,880,213
LF Wales PP UK Opportunities Equity Fund	479,817
LF Wales PP Global Growth Equity Fund	1,960,548
Total Pooled Investments	**4,320,579**

3.2 These actively managed funds are held in an Authorised Contractual Scheme (ACS) structure operated by Link Fund Solutions and managed by Russell investments, with a number of underlying managers appointed to manage each sub-fund.

3.3 **Investment assets split between Greater Gwent (Torfaen) Fund and the Wales Pension Partnership (WPP)** (summary of note 14d)

Investments managed by the Wales Pension Partnership (WPP):	31 March 2020 £000	%
LF Wales PP Global Opportunities Equity Fund	342,702	12.6
LF Wales PP UK Opportunities Equity Fund	315,993	11.6
Investments managed outside of the Wales Pension Partnership (WPP)	2,060,935	75.8
TOTAL INVESTMENT ASSETS	**2,719,630**	**100**

The above table is an extract taken from note 14d to the accounts and summarises the Greater Gwent (Torfaen) Pension Fund's investment in the WPP, together with confirmation of the assets that remain under the direct oversight of the Fund. During the year, £420,427,246 of the Fund's assets transitioned to the WPP portfolios and the table above shows the assets currently managed by the pool as at 31 March 2020.

4. Pooling Costs

4.1 Details of the costs incurred by the Greater Gwent (Torfaen) Pension Fund in respect of the WPP are detailed below.

2018/19 £000	WPP Oversight and Governance Costs	2019/20 £000
22	Operator Fees	159
40	Set Up and Oversight Costs	52
20	Host Authority Costs	21
-	Transition Costs (direct)	83
82		**315**

4.2 The table reflects the costs incurred in financial year 2018/19 and 2019/20. As the WPP operates a joint governance committee (JGC), with the investment infrastructure and management appointment processes operated by Link Fund Solutions and Russell Investments, the majority of WPP costs incurred by the Fund are in respect of oversight and governance. A summary of the individual categories can be found below:

I. Operator Fees - these are the fees charged by Link Fund Solutions as the FCA authorised Operator to establish and run a collective investment vehicle.

II. Set up and Oversight Costs - the Fund incurs costs for its share of the professional fees incurred in the setting up and governance of the WPP.

III. Host Authority Costs - Carmarthenshire County Council acts as the Host Authority for the WPP, providing administrative and secretarial support to the JGC and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales.

IV. Transition Costs (direct) - transition management is the process of managing changes to a pension fund's portfolio of assets and the Fund incurs costs when a transition manager is appointed to transfer assets into the WPP.

5. Transition Costs

5.1 In addition to the WPP Oversight and Governance costs shown above, the Fund also incurred costs associated with the transition of its assets into the pool. To date, the Fund has undergone two transitions in relation to the WPP, one in 2018/19 (Global equities) and the other in 2019/20 (UK equities). The costs of transitioning assets can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs are both the explicit and implicit costs of transition, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Aside from the direct transition costs disclosed above, the majority of transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their value as opposed to a direct charge to the Fund.

	2019/20			
	Direct £000	**Indirect £000**	**Cumulative £000**	**Total £000**
Transition Fee	83		83	83
Tax		679	767	767
Other Transition Costs		4,371	6,510	6,510
Total Transition Costs	**83**	**5,050**	**7,360**	**7,360**

5.2 The two transitions undertaken to date have involved a number of the eight Welsh LGPS funds and costs have been shared as a proportion of total AUM. The direct and indirect costs included in the table above reflect the proportion attributable to the Greater Gwent (Torfaen) Pension Fund only.

6. Investment Fee Savings / (Costs)

6.1 The Greater Gwent (Torfaen) Pension Fund recognises that one of the significant justifications for moving to an LGPS regional pooling environment is to establish scale through combined investment, resulting in fee savings and enhanced asset performance. Whilst we believe this will be the case in the long-term the initial indication is that the Fund has experienced cost increases on the first two asset transitions into the pool. The Fund has historically been successful in negotiating competitive fees with its investment managers and so many of the cost efficiency benefits that pooling sets out to achieve have already been reflected in prior negotiations.

6.2 In addition, the Fund recognises the direction of travel and the need to pool all assets in the future. We are mindful of the fact that cost efficiencies are more likely to result from future transitions where the Fund has previously not been as active and so should be better placed to negotiate future savings in these areas.

6.3 The table below provides a summary of the investment fee savings / (costs) incurred in respect of the assets transitioned to the WPP to date. The analysis shows a cumulative fee increase of £559k in respect of the two portfolios under the management of the WPP since inception, as at 31 March 2020.

Investments managed by the Wales Pension Partnership (WPP)	Value at 31 March 2020 £000	2019/20 Actual Fee Saving/(Cost) £000	Cumulative Fee Saving/(Cost) £000
LF Wales PP Global Opportunities Equity Fund*	342,702	-259	-324
LF Wales PP UK Opportunities Equity Fund*	315,993	-235	-235
			-559

*Global equities January 2019, UK Equities September 2019

7. Objectives 2020/21

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

7.2 In establishing the WPP pool, the focus has been on pooling the most liquid assets, namely equities and fixed income. The next step is to formulate an approach to pooling and managing illiquid assets such as Private Equity, Private Debt/Credit and Infrastructure. This will involve reviewing a variety of structures and platforms available and assessing these to identify the best fit to meet with the Fund's current and future requirements.

7.3 A high level transition timetable has been provided below:

Investment Portfolio	Timeline for Launch/Implementation
Tranche 3 – Fixed Income (Active)	Transition planned Q3 2020
Tranche 4 – Emerging Markets (Active)	Transition planned Q4 2020
Tranche 5 – Private Market Alternatives	Transition planned 2020-2022
Subsequent Tranches	Asset class and timing to be determined

7.4 In terms of other, non-investment objectives, the WPP hopes to establish and publish its Voting and Engagement policy and framework during the course of 2020/21, following the appointment of Robeco Asset Management to support this process in late 2019/20.

7.5 There will also be a focus on the review and development of various WPP policies, including Conflicts of Interest and an actively monitored Risk Register document which will assist in exercising the governance arrangements of the Partnership, together with a Climate Risk Policy in accordance with the partnerships broader Responsible Investment commitments.

8. Pooling Risks

8.1 The following risk table identifies two frequently monitored risks from a Fund perspective when managing the arrangements in place through transitioning assets into the WPP. Further details of the risk process in place for the Fund can be located on page 13.

Risk Identified	Potential Consequence	Risk Score Range	Controls/Mitigation
Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership (WPP) pool.	Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term.	High	• A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition. • A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members.
Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns.	The WPP fails to deliver long-term investment returns beyond what the Fund would have expected to generate had pooling not occurred. This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future.	High	• Substantial governance arrangements are in place at both officer (officer working group) and shareholder (joint governance committee) levels. • Both the WPP and the constituent authorities take professional external advice on the opportunities for investment through the contractual relationship with Link Fund Solutions and Russell Investment advisors. • The WPP, together with constituent authorities, monitor the performance of investments and hold Link and Russell to account as necessary.

8.2 Whilst the risk score range attributable to the above is categorised as high, the Fund is comfortable with the level of mitigation in place in which to manage them. The Fund recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that we feel it can reduced to an acceptably low level or removed altogether. The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for collaborating regionally. As such, this risk is likely to remain in place for the foreseeable future. However, as the WPP continues to establish itself and the governance arrangements mature it is expected that this level of risk will be reduced to an acceptable level.

INVESTMENT POLICY AND PERFORMANCE REPORT

1. Investment objectives

1.1 From an investment perspective, this report reflects on a year that had for the most part seen a continued period of positive market progression, similar to what had been experienced in previous years. Conversely, major market uncertainty and volatility was experienced throughout the course of Q1 2020, which saw the largest quarterly market falls within the last 10 years. As of 31 December 2019, the Fund was on track to deliver strong double digit performance returns with its market value of investments reaching an all-time high. This was however swiftly eradicated following the events that unfolded in the last few months of the year. The impact of the COVID-19 pandemic firmly placed Brexit and the US-China trade war in perspective, as global markets grappled with an unprecedented change to day to day life as we know it, both in terms of the human life and the global economy as many individual country economies effectively shut down for an extended period. The outcome of this challenge saw all major equity indices experience large losses of between 10-30% peak to trough, with the FTSE All Share suffering 25% falls in the quarter with the longer-term impact of negative benchmark returns over a 3 year period. At Fund level, this translated into an investment return of -7.05% for the year. Though returns have varied considerably between different asset classes from UK equities (-22.46%) to Government Bonds (+10.92%) with all others in between, the diversification approach followed by the Fund acted in some respects as a 'shock absorber' with its low-risk investments cushioning the blow of significant equity volatility. Despite the significant challenge that COVID-19 has presented to society globally and the disappointing annual performance of the Fund as a result, the long-term performance remains positive with Fund returns since inception at +5.36%. The strategy for the Fund however remains long term and the spread of investments will rebuild lost ground over future reporting periods.

1.2 The objective in investing Fund monies is the maximisation of the return on the money entrusted to the Fund, consistent with acceptable levels of risk. The portfolio's investment performance directly influences the contribution that employers need to make to the Fund to pay for the statutory benefits payable from it. However, two particular factors need to be borne in mind. Firstly, the Fund's liabilities are very long term and secondly, those liabilities will increase with inflation and the rising level of employees' salaries and wages to the time of retirement. The need to ensure liquidity to pay benefits as they fall due is also a consideration in determining investment strategy. At present Fund income is exceeding expenditure and so the Fund has not been faced with the prospect of enforced realisation of investments. This requires regular monitoring however as the surplus of income over expenditure is decreasing year on year as the profile of its membership and liabilities changes over time.

1.3 The objectives of the Fund's investment strategy can therefore be summarised as:-

- to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodes
- to manage employers' liabilities effectively
- to ensure that sufficient resources are available to meet all liabilities as they fall due
- to maximise the returns from investments within reasonable risk parameters
- to ensure that all statutory payments made from the Pension Fund are at minimal cost to local tax payers
- to ensure the Fund has a credible funding plan in place with the aim over the longer term of achieving full funding of all liabilities as they fall due. (i.e. 100% funding)
- to aim for consistent above median investment returns over rolling 3 year periods

The Pensions Committee attempts to meet its objectives by securing, in the light of the economic climate, the most advantageous mixture of cash, bonds, equity, property and alternative investments. More details are contained in the Funding Strategy Statement (see page 52). Investment management policy, principles and arrangements are detailed within the Investment Strategy Statement (ISS) (see page 47). The ISS documents and puts into effect the Fund's principal powers to invest in accordance with the investment regulations but now within an updated statutory framework that allows Funds more flexibility with increased prudential responsibility in determining the investments the Fund makes.

1.4 In addition to setting the Fund's investment strategy via the most appropriate asset allocation, the Committee, in conjunction with the Fund's advisors, also determines the most appropriate mix of investment management arrangements for the Fund. This enables an appropriate and diversified blend of passive (market matching) and active (aiming to out-perform markets) management. It also enables managers to be appointed with varying performance targets, risk targets, investment philosophies and investment styles. This allows for even further diversification of investment risk for the Fund.

1.5 Within their consideration of the Investment Strategy, the Pensions Committee made the decision in March 2018 to review and formalise the long term strategic direction to generally continue to reduce the Fund's exposure to equities and add to alternative investments. During 2019/20, the strategic asset allocation was formally reviewed once again, in accordance with the 2019 triennial valuation findings, and a revised investment strategy was agreed with the long term strategic direction in mind. The review concluded that, despite a prolonged period of strong investment performance, there was a need to further diversify the portfolio with a revised framework of 56% Equities; 10% Fixed Interest; 34% Alternative Investments.

1.6 The Fund continued its journey of pooling its investments with the WPP during 2019/20, with the transition of UK equities to the WPP UK opportunities offering which took place in September 2019. As a result of this transition, the Fund terminated its IMA with Lazard Asset Management and transferred a significant proportion of the proceeds to the WPP in accordance with the strategic asset allocation. Further details of the progress made in pooling assets with the WPP, together with performance, costs and savings can be found in the section on Asset Pooling on page 21of the report.

1.7 With the exception of the transition of monies to the WPP, two further investments were made during the year. The remainder of the Lazard Asset Management proceeds were invested into the existing Fidelity Multi Asset Income Fund which was consistent with the Fund's appetite for increasing alternative investments. In addition, in accordance with the Fund's desire to address its climate challenges, the Fund made the decision to transition its existing Blackrock passive funds, both UK and US equities, into a Blackrock World Low Carbon Index Tracker Fund. This decision followed analysis carried out by officers on behalf of the Committee where it was determined that the MCSI low carbon index lowered carbon intensity by between 70-80% and future emissions by approximately 90%. The Fund recognises that this is an initial step towards meeting its broader stewardship responsibilities and further details of the work undertaken in the period can be found in the note on Socially Responsible Investment & Corporate Governance on page 49 of the report.

1.8 As at the reporting date, the Fund's assets outside the WPP therefore remain primarily with four external fund managers namely BlackRock, Fidelity Worldwide Investment, Invesco Perpetual and Aberdeen Standard Investments.

2. Asset allocation

2.1 The following table shows the Fund's actual asset allocation to 31 March 2020 against the strategic benchmark that was in place during the period.

Asset Class / Mandate	Approach	Manager	Strategic Allocation (%)	Tactical Allocation 31 March 2020 (%)
UK Equities				
UK Equities	Active	WPP	14.0	11.6
Overseas Equities				
Low Carbon Tracker	Passive	BlackRock	22.0	21.7
Global Equities	Active	WPP	12.0	12.6
European Equities	Active	BlackRock	14.0	14.0
Far East Equities	Active	Invesco	6.0	6.2
Emerging Markets	Active	Fidelity	2.0	2.7
Bonds				
Government Bonds	Active	BlackRock	8.0	9.9
Corporate Bonds	Active	BlackRock	8.0	9.4
Alternative Investments				
Multi Asset Fund	Active	Aberdeen Standard	2.2	2.4
Multi Asset Fund	Active	Invesco	2.2	2.5
Multi Asset Fund	Active	Fidelity	2.8	3.7
Other	Active	M&G	-	-
Other	Active	TBA	2.8	-
Other				
Cash/Accruals	Active	TCBC/Lazard	1.0	0.6
Pooled Property Funds	Active	TCBC	3.0	2.7
Total			**100**	**100**

2.2 The table shows that variances to strategy and actual allocations are not material. Variances are regularly monitored by officers and the Pensions Committee and are primarily due to regional market performance fluctuations which see allocations increase during the year relative to some other allocations. There are also some variances evident following the decision of Pensions Committee to formally revise the Fund's Strategic Asset Allocation at its meeting in September 2019 (see below for further details). The following provides some detail on the actual year-end tactical allocations that vary by more than 1% versus strategic allocations:-

- UK Equity - The Fund's actual exposure relative to its allocation has seen an underweight position of 2.4% as at 31 March 2020. This is primarily due to adverse performance of not only the Fund's active mandate, but also the UK index as a whole during Q1 2020. The UK market underperformed many of the major indices including Global and so the fall in asset value (and hence percentage of the Fund allocation as a whole) has suffered more significantly as a result.

- Government and Corporate Bonds - The Fund's actual exposure relative to its strategic allocation has seen overweight positions for both mandates of 1.9% and 1.4% respectively. This is primarily due to strong Q1 2020 performance relative to benchmark and other major asset classes, namely equities. Strong performance in the final quarter of the year has seen these mandates increase as a proportion of the Fund. As market volatility begins to settle in 2020 we would expect our allocations to return towards benchmark as the Fund begins its recovery process following the significant losses experienced in the final quarter of the reporting period.

- Multi Asset Fund - The Fund's actual exposure to the Fidelity Multi Asset Income fund relative to benchmark has seen an overweight position of 0.9% as at 31 March 2020. This can be explained primarily for two reasons. Firstly, performance across multi-asset funds for the period has been slightly more positive in comparison to equities, although less so than that of fixed income investments. As a result their allocation in comparison to the Fund as a whole has increased. Secondly, as part of the Fund's review of the Strategic Asset Allocation in September 2019, a commitment to increasing alternative investments has been agreed (see details below). As such, during Q4 of 2019, officers made a tactical allocation to increase the Fidelity Multi Asset Income portfolio by £25m, a decision that contributed to its increased allocation relative to benchmark but which with hindsight also added some additional protection to the Fund during the turbulent Q1, 2020 period.

- Low Carbon Tracker Fund - although this is within 1% of the strategic asset allocation, the allocation requirement already reflects the first significant move to implement the investment strategy decisions made at the September 2019 Pensions Committee. Prior to September, the Fund held its passive monies via a UK equities tracker fund (14%) and a US equities tracker fund (8%). In January 2020, these were consolidated into a Global Equities Low Carbon Tracker in line with the Funds objective to lower its carbon footprint.

2.3 **Strategic Asset Allocation review – September 2019**

During 2019/20, the Pensions Committee undertook a detailed review of the strategic asset allocation as a result of a wider consideration of the Fund's investment strategy. This exercise was considered in parallel with the 2019 triennial valuation, which saw significant improvement in the funding position of the Fund. As a result, a risk based decision to adjust the strategic asset allocation was taken, in accordance with the long-term investment objective of the Fund, and with the following primary considerations:

- A significant improvement in the funding position of the Fund from 72% in 2016 to 86% in 2019 reduced the need for such high equity exposure in the primary pursuit of investment growth
- An opportunity to streamline equity exposure to reduce the number of portfolios whilst retaining sufficient global exposure, both through active and passive management
- An appetite for reduced volatility whilst improving risk adjusted returns where possible
- Further diversification into alternative investment opportunities in an attempt to reduce risk whilst maintaining or improving investment returns
- A more accommodating asset allocation mix that can take advantage of the opportunities put forward by the Wales Pension Partnership (WPP)

Following an officer recommendation paper that was presented to Pensions Committee in September 2019, the following revised Strategic Asset Allocation was approved.

Asset Class	Pre 2019 Strategic Asset Allocation	Post 2019 Strategic Asset Allocation	Agreed Allocation Range
UK Equities		14%	
Global Equities (of which 22% passive)		34%	
Asian Equities ex. Japan		6%	
Emerging Market Equities		2%	
Total Equities	**70%**	**56% (+/-5.6%)**	
Global Bonds (GILTS)		5%	3-5%
Global Credit		5%	5-7%
Total Fixed Interest	**16%**	**10% (+/-1%)**	
Multi-Asset Funds		5%	
Private Credit		8%	8-10%
Infrastructure		10%	8-10%
Property		10%	8-10%
Cash		1%	
Total Alternatives	**14%**	**34% (+/-3.4%)**	
Total	**100%**	**100%**	

2.4 The investment strategy of the Fund has always been to undertake its fiduciary duty through maximising investment returns within an acceptable level of risk. The Fund has maintained a long-standing investment strategy with a core equity bias that has been in place since 2003. In recent years, the Pensions Committee has recognised that at times this strategy could have benefited from being more nimble in avoiding short-term adverse performance and on other occasions, could have been able to engineer change more quickly. As a result, a high level summary of the rationale for the strategic allocation changes by asset class has been provided below:

Equities
A top down reduction in equity exposure of 14%. Within this reduction, a tactical focus on increasing global equities whilst reducing UK exposure was both recommended and agreed. In addition, consideration was given to the ongoing benefits of an active management focus whereby members agreed to retain an approximate 75%/25% split of active over passive investment.

Fixed Interest
A top down reduction in fixed interest exposure of 6%. When considering fixed interest, discussions focused on an appetite for global exposure as both the qualitative and quantitative analysis suggested a significantly reduced outlook for high grade sovereign and corporate bonds.

Alternatives
A significant increase in exposure to a broad range of alternative investment opportunities of 20%. The detailed review concluded that an increased exposure to alternatives could offer the Fund added value in the form of growth, income and capital protection which would meet its needs in both the long and short-term. The flexibility of these investments was extended to allow for a range in allocation to three broad asset classes following discussions at asset pool level, where it is envisaged that a substantially enhanced offering could be made available to Constituent Authorities via the Wales Pension Partnership as opposed to what could have been achieved at individual Fund level. The Fund also considers the use of its existing multi-asset investments as a positive contributor to the overall alternatives allocation.

Cash
Due to the continuing exceptionally low interest rate environment the Fund's Cash Management Strategy has, in recent years, required cash to be held at low levels. The revised SAA has agreed to continue to hold only a small percentage of the Fund in cash. The Fund will continue to monitor interest rates and the Fund's cash flow routinely and then report to Pensions Committee each year within the Cash Management Strategy report.

2.5 At 31 March 2020 the net investment assets of the Fund (measured at bid-price market value) were administered as follows:

Investments at Market Value	£000	%	Cash & Other Balances £000	%	Net Investment Assets £000	%
WPP	658,695	24.2	-	-	658,695	24.2
BlackRock	1,497,006	55.0	1	-	1,497,007	55.0
Lazard			97	-	97	
Invesco	233,240	8.7	-	-	233,240	8.7
Fidelity	173,777	6.4	-	-	173,777	6.4
Aberdeen Standard	65,892	2.4	-	-	65,892	2.4
TCBC	73,023	2.7	17,899	0.6	90,922	3.3
Total	**2,701,633**	**99.4**	**17,997**	**0.6**	**2,719,630**	**100**

3. Investment performance

3.1 The table below shows, at a total fund level, the Fund's investment performance over historical periods, measured to 31 March 2020, versus the Fund's bespoke investment benchmark :-

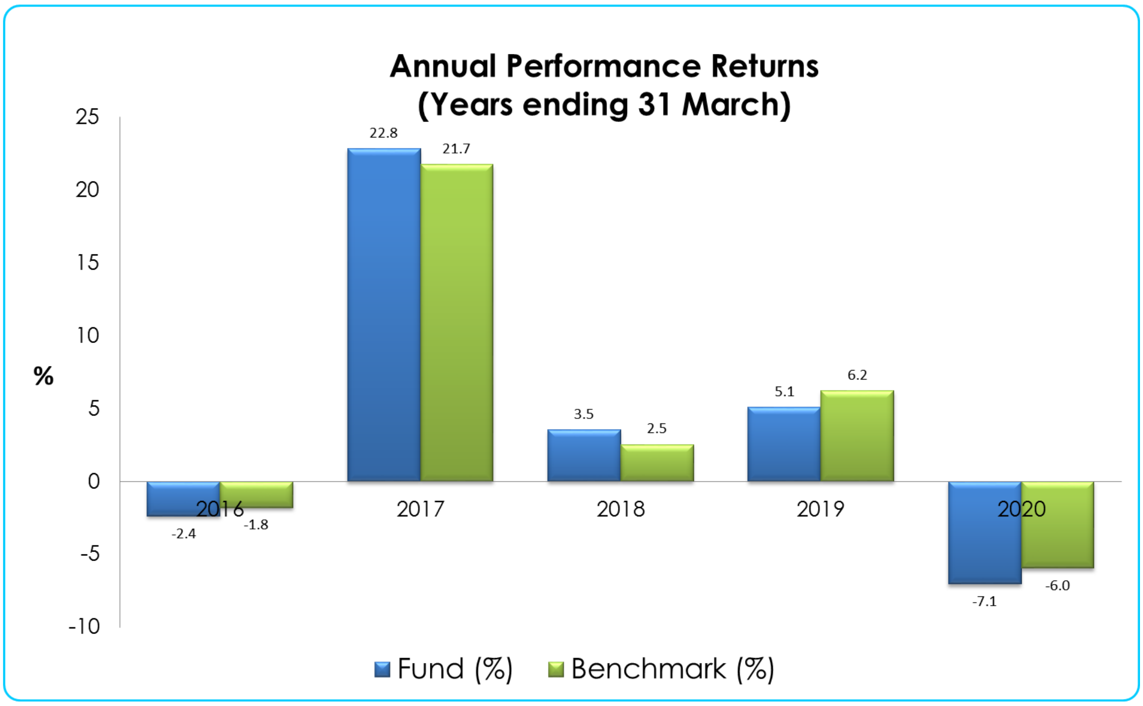
Annualised % Performance	1 Year	3 Years	5 Years	10 Years
Greater Gwent (Torfaen)	-7.05	0.38	3.94	6.19
Strategic Benchmark	-5.96	0.80	4.13	6.16
Out/(Under) Performance	**-1.09**	**-0.42**	**-0.19**	**0.03**

3.2 The Fund has participated in an investment performance service prepared by Northern Trust, its global custodian with effect from 1 November 2019. In the financial year ending 31 March 2020 the Fund delivered a negative investment return of -7.05% compared with -5.96% for the benchmark return.

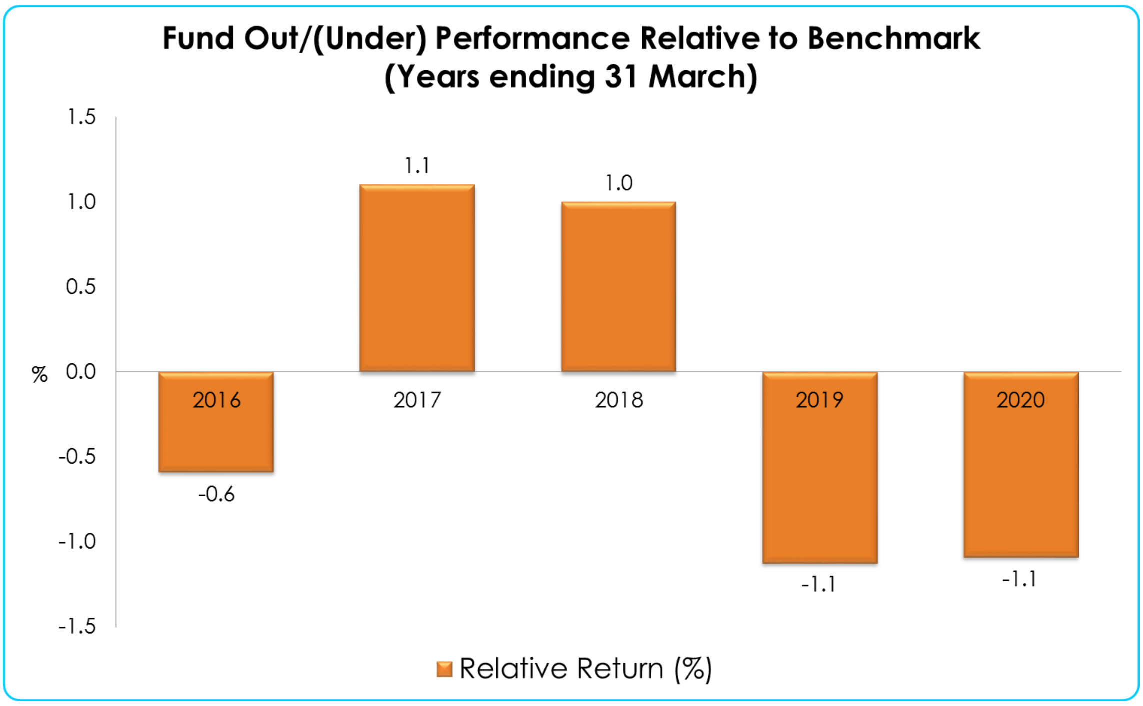
3.3 The Fund's overall benchmark consolidates the various appropriate regional comparison indices using the Fund's Strategic Asset Allocation (SAA) weightings. Following the decision of Pensions Committee to formally revise the Fund's SAA in March 2018, these weightings are currently 28% UK equities, 30% overseas equities, 12% global equities, 16% bonds, 3% UK property unit trusts, 10% alternative investments and 1% cash. However, as indicated within the asset allocation section above, the Fund has since revised its SAA again in September 2019 with arrangements for implementation of these changes currently under consideration.

3.4 The following graphs illustrate the Greater Gwent (Torfaen) Pension Fund annual performance returns as compared to the Northern Trust benchmark return over the last five financial years. The absolute return is the performance return for an asset or portfolio over a certain period. Relative return is the difference between the absolute return and the performance of the market, which is measured by a benchmark or index. Longer term returns can be seen in the graph on page 4.

a) Absolute performance returns



b) Relative performance returns



The consolidated performance of all the asset classes and regions in which the Fund invests has been negative in absolute terms for the Fund's investment performance. Investment performance return for the year was an underperformance against our customised benchmark (-5.96%) of -1.09%. Longer term performance as shown elsewhere within this report still however remains positive against benchmark for reporting periods up to 10 years.

4. How did our managers perform?

4.1 In addition to investment performance from the markets themselves the Fund generally looks to add additional investment returns across the majority (almost 75%) of its asset allocation via active investment management, where the Fund's investment managers look to out-perform the respective market returns. This however cannot be guaranteed and whilst in most years and over longer time periods the Fund has been successful in this regard, there will on occasions be shorter time periods where active investment management fails to add value. 2019/20 has been one of those less successful periods where our active management generally failed to reach benchmark (market) returns. This was primarily caused by the significant market volatility experienced across all asset classes globally throughout Q1 2020, resulting in the vast majority of the Fund's investments experiencing negative returns for the year.

4.2 The table below details both market (benchmark) and Fund performance returns and shows that strong absolute performance has been evident in both the Government Gilt and Corporate Bond (Blackrock) portfolios which have performed strongly in adverse market conditions. Equities across all regions performed badly following the impact of Q1 2020, with UK Equities (WPP) and Asian Equities excl. Japan (Invesco) performing particularly poorly during that period. The transition of UK equities during the period also placed a drag on performance. The Fund's alternative exposure was slightly more resilient in their annual performance and, despite also being exposed to the events of Q1, were on the whole able to deliver positive returns with the exception of Multi Asset Income (Fidelity).

Despite the disappointing one year performance of the Fund long-term performance continues to perform broadly in line with the Fund benchmark on a three and five year basis, whilst achieving outperformance on a ten year basis. As a long-term investor, the Fund remains focused on the ability to outperform the benchmark over a longer time horizon and looks to add value through its active management investments.

4.3 The following shows detailed performance for the Fund by Asset Type, Region and Manager.

Asset Class / Region	Manager	Share of Fund at Year end %	Fund Performance for Year %	Benchmark Performance for Year %	Relative Performance for Year %
Equities					
Low Carbon Tracker (Passive)	BlackRock	21.7	-4.6	-3.02	**-1.58**
UK (Active)	WPP*	11.6	-24.6	-20.8	**-3.8**
European (Active)	BlackRock	14.0	-9.77	-7.80	**-1.97**
Asia (ex-Japan)	Invesco	6.2	-16.05	-10.92	**-5.13**
Emerging Markets	Fidelity	2.7	-9.84	-13.7	**3.86**
Global (Active)	WPP	12.6	-4.7	-6.7	**2.0**
Bonds					
Gilts	BlackRock	9.9	10.92	9.92	**1.0**
Corporate Bonds	BlackRock	9.4	2.80	1.45	**1.35**
Other					
Alternatives	Aberdeen Standard GARS	2.4	1.16	0.83	**0.33**
	Fidelity MAI	3.7	-5.39	0.91	**-6.30**
	Invesco GTR	2.5	1.32	0.76	**0.56**
Property	Various	2.7	0.99	-0.02	**1.02**
Cash and other investment balances	Various	0.6	0.01		

4.4 The following shows the external investment fund managers that manage the Fund assets outside of the Wales Pension Partnership.

Mandates managed by external Fund Managers as at 31 March 2020	
BlackRock • Low Carbon equity tracker fund (passively managed fund invested through a collaboration arrangement of all 8 LGPS funds in Wales) • European Equity Fund • Gilt and Corporate Bond Funds	
Invesco Perpetual • Asia (ex-Japan) equity fund • Multi asset fund - Global Targeted Returns Pension Fund	
Fidelity Worldwide Investment • Emerging market equity fund • Multi asset fund – Multi Asset Income Fund	
Aberdeen Standard Investments • Multi asset fund - Global Absolute Return Strategies	

ADMINISTRATION REPORT

1. Summary of activity of the service in the year

The Administration report has been produced in line with CIPFA's 'Preparing the Annual Report' guidance and reflects national development changes in terms of governance guidance issued under the Public Service Pension Act 2013 and CIPFA's working group on pension fund administration.

1.1 Core Work

The work undertaken by the Pension Team in relation to the main 'core service' statistics is illustrated on the following table. The table illustrates the work outstanding as at 1st April 2019, additional work added during the period, the amount of work completed during the period and the work in progress as at 31st March 2020.

	Work outstanding 1 April 2019	New	Total	Completed	Work in progress 31 March 2020
Retirements processed	423	1,723	2,146	1,808	338
Deferred processed	321	1,806	2,127	1,908	219
Retirement estimates	564	2,992	3,556	3,175	381
Deaths processed	119	600	719	589	130
Transfers in/out	2,237	2,357	4,594	3,472	1,122
New Starters	611	4,651	5,262	4,386	876
Total	**4,275**	**14,129**	**18,404**	**15,338**	**3,066**

The following table illustrates the average monthly new work and completed work in the year to 31st March 2020 with the previous year.

	Average Monthly New Work received in year to 31/03/2019	Average Monthly New Work received in year to 31/03/2020	Average Monthly work completed in year to 31/03/2019	Average Monthly work completed in year to 31/03/2020
Retirements processed	138.00	143.59	133.00	150.67
Deferred processed	133.00	150.50	159.00	159.00
Retirement estimates	262.25	249.33	254.16	264.58
Deaths processed	48.91	50.00	52.33	49.08
Transfers in/out	208.83	196.41	185.91	289.33
New Starters	304.33	387.59	349.00	365.50
Total	**1,095.32**	**1,177.42**	**1,133.40**	**1,278.16**

An analysis of the core work completed during the year shows the following trends:

- A general increase in core workloads but also an increase in productivity within existing resources.
- The number of new starter cases received within the section has increased during 2019/2020. The reason for this is that a number of local authorities auto re-enrolled their staff into the Local Government Pension Scheme during 2019/2020 which increased the number of new starters the Fund received during this year.

- The number of Transfer In/Out cases completed in 2019/2020 has increased significantly compared to the previous year. During 2019, a project team was set up, made up of members of the Benefits Team, to tackle the backlog of aggregation cases that the Fund had. As a result of this an average of 289.33 Transfer In/Out cases were completed during 2019/2020 compared to an average of 185.91 in the previous year.
- The number of cases completed during 2019/2020 has increased compared to 2018/2019.

1.2 Other Activity

In addition to our core service we have also undertaken the following work:-

- A primary focus of the Pension Fund during 2019/20 was the completion of the Actuarial Valuation carried out as at 31st March 2019. The purpose of the valuation is to assess the overall funding position of the Pension Fund as well as the funding position for each individual employer and to set the employer contribution rates for the three years commencing 1st March 2020. Correspondence was sent in December 2019 to all participating employers setting out their position as at the valuation date, including an individual schedule of their results. This was followed up with an employer meeting that took place on 24th January 2020, attended by the Actuary. The Fund also held individual meetings with employers who needed to discuss their results in greater detail. The final Valuation Report was signed off and the Fund obtained the Rates and Adjustment Certificate which has been published to the Fund's website.

- The Fund has reviewed all of its processes, procedures and documentation in line with the 'The Local Government Pension Scheme (Amendment) Regulations 2019', and 'The Local Government Pension Scheme (Amendments) Regulations 2020.'

- On 15th June 2018, Equitable Life announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life. Equitable Life are an AVC provider to some of our scheme members and so, as a Scheme Policy Holder, the Fund was asked to vote on whether to approve the scheme changes. In October 2019, the Fund wrote out to all its members affected by this, asking them to complete a short survey in order to express their support or opposition to the proposed changes. The overwhelming response was in favour of the proposals, which the Fund conveyed to Equitable Life. Following the High Court hearings on 22 and 25th November 2019, court approval to transfer the business of Equitable Life to Utmost Life and Pensions was received on 4th December 2019.

- The Pension Fund has carried out a wide variety of training courses to help HR and Payroll staff maintain continuity of knowledge about the LGPS, and understand their role as scheme employers. The Fund also runs training courses for its members to help them understand the benefits provided by the LGPS.

- The Fund has produced bi-lingual quarterly newsletters to its employers and annual newsletters to its members to keep them up to date with topical pension matters, including legislative updates and procedural changes.

- The Fund held its annual employer meeting with the Local Authorities and Gwent Police in November 2019.

- The Pension Regulator published its '*Governance and administration risks in public service pension schemes: an engagement report*' on 19th September which was produced as a result of engagement sessions it carried out with 10 LGPS Funds between October 2018 and July 2019. The report identified good practice, inconsistencies in practice and suggested improvements that could be made in Local Government Pension Schemes. As a matter of good practice, we have carried out an initial assessment of the pension fund's own position and potential risks based on the Pension Regulator's findings and recommendations and have identified areas where there is potential scope for improvement. The Fund will be working on these areas during the forthcoming year.

- The Fund has participated in Club Vita to provide a bespoke analysis of the demographic trends and longevity of the members of the Greater Gwent (Torfaen) Pension Fund.

- The Fund continues to collaborate with the other seven local government pension funds within Wales to improve the consistency, effectiveness, communication and administration of the services provided.

- The Fund participates in the LGA Communication sub group to assist in developing LGPS Scheme wide communications.

1.3 **Future Challenges**

- Although emerging right at the end of the financial year, the biggest and most immediate challenge the Fund will face in the forthcoming months is the Coronavirus COVID-19 pandemic. Following the instruction by the Prime Minister on 23rd March, all members of the pension fund are at the time of writing this report, working from home. The Fund's primary focus is on paying the benefits of its 18,000 pensioners and processing retirement and death benefits. The Fund has appropriate contingency plans in place, and has reviewed all of its processes and procedures in line with the Fund's revised working arrangements to ensure that it can continue to provide a full service to its members. In the forthcoming months, the Fund will face challenges as the situation evolves and a new "normal" emerges. The Fund is therefore monitoring the situation closely, planning for various scenarios and taking advice and guidance from a variety of different sources including the LGA, the Fund's Actuary, the Scheme Advisory Board and the Pension Regulator.

- The emergence of COVID-19 has also led to elevated concerns in the possibility of scammers taking advantage of the current situation and encouraging members to transfer their benefits out of the Local Government Pension Scheme. In light of this, the fund has updated all of its Transfer Out documentation, and is signposting members to ScamSmart, an on-line advice source operated by the Financial Conduct Authority. Any unusual Transfer Out requests are being closely scrutinised, and if required, will be put on hold. The Fund also has a dedicated area on its website for COVID-19 which provides up to date information to its members on the current situation.

- Public Sector Pension Schemes are required to operate a cost cap mechanism that at national level, measures the cost and any change in the cost of the provision of the LGPS. The overall costs of the LGPS are expected to stay within the cost cap limits. For the LGPS there are two mechanisms used to monitor adherence to the cost cap; one used by HM Treasury and for the LGPS a bespoke second cost cap process designed to capture more specifically the impact of LGPS reforms. Results published in December 2018 showed the cost cap parameters had been breached and as a result some draft proposals emerged on potential changes to improve benefits in the scheme. However within days of these proposals, the Government announced a pause in the Cost Cap process for public service pension schemes in light of its application to appeal the McCloud judgement.

The case is an age discrimination one and concerns the transitional protections given to scheme members who in 2012 were within 10 years of their normal retirement age in the judges and firefighters scheme, as part of the public service pension reforms across the public sector. On 27th June 2019, the Supreme Court denied the government permission to appeal. Now that the findings of the Court of Appeal stands, significant changes to the public service schemes may be required. Depending on the extent and cost of these changes, there could be a material impact on the outcome of the cost cap process. Those members who have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will need to be 'upwards' – that is, the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.

Although the case only relates directly to two schemes the government has confirmed in a statement by the Chief Secretary to the Treasury on 15th July 2019 that the principles of the outcome would be accepted as applying to all public service schemes. Decisions concerning who is in scope for protection, the extent of the final salary service protection and the effect on ancillary benefits such as transfer payments and survivor benefits will be made centrally. SAB is working closely with MHCLG and GAD to ensure that the remedy to remove age discrimination from the LGPS is robust and comprehensive. The government plan to issue consultations on changes to public service pension scheme regulations in the first half of 2020. Changes to primary legislation may also be required. LGPS valuations have taken account of what was known at the time about the timing and nature of potential changes to the scheme. Valuations have taken into account what they were able to do, and only if the eventual extent and cost of any remedy is beyond the allowances already built in to the valuation, might the Fund be required to consider a further interim valuation to reset employer contribution certificates.

- Regular legislative changes, both currently planned and into the future, provide challenges to the Fund particularly where in some instances the legislation is backdated. The Fund will therefore continue to develop its policies to meet these challenges and continue to work with scheme employers and our colleagues in other LGPS Funds on a national basis to comply with these new requirements.

- The National LGPS Scheme Advisory Board has commissioned Hymans Robertson to facilitate a consultation on good governance structures for the LGPS. The purpose of the consultation is to consider how best to accommodate LGPS functions within the democratically accountable local authority framework in a way that ensures conflicts of interest are addressed and managed appropriately and that the LGPS remains appropriately resourced and able to deliver its statutory function. The Scheme Advisory Board published Phase II of the Good Governance Report in November 2019. The report makes recommendations for new standards of governance and administration and proposes how they can be measured and assessed independently. The recommendations cover the following areas: general governance, conflicts of interest, representation, skills and training, service delivery for the LGPS function and compliance and improvement. SAB has agreed that Phase III of the project, including draft statutory guidance on governance compliance statements and establishing a set of key performance indicators should now be developed. Under the current climate, Phase III is proceeding, albeit it on a more limited basis.

- The number of members exceeding their Annual Allowance is continuing to increase each year. The Pension Fund carries out an exercise each year to assess the position of individual scheme members and writes to each individual who has either exceeded the Annual Allowance of has come close to exceeding it. From 6th April 2020, there are changes to the annual allowance. The Threshold income is increasing from £110,000 to £200,000 and the adjusted income is increasing from £150,000 to £240,000. In addition, the minimum tapered annual allowance has been decreased from £10,000 to £4,000.

1.4 Technology and pension administration system developments

The Fund is committed to developing and utilising technology to develop its pension administration service. During 2019/2020, the Fund carried out the following technology and pension administration system developments:

- All 60 active employers in the Fund are now submitting data to the fund on a monthly basis via the Employer Self Service Module (ESS). By receiving monthly data from employers, the Fund is able to update member's records on a regular basis. It also enables the Fund to rectify data on an ongoing basis throughout the year, and it improves the member's experience by enabling them to view real time information concerning their pension account.

- The number of members signed up to My Pension Online continues to increase. As at 31st March 2020, the Fund has 21,728 members signed up to MPO. This equates to 37% of the total membership of the Fund. This is broken down by:

Status	No. of Members	No. of members signed up to MPO	Percentage of members signed up to MPO
Active	24,200	11,710	48.4%
Deferred	18,621	6,361	34.2%
Pensioner/ Dependant	18,299	3,657	20.0%
Total	**61,120**	**21,728**	**35.5%**

- The Fund continues to work with its employers to advertise MPO and requires all new members to sign up to the service in order to access some of their pension information.

1.5 Data Quality

1.5.1 Data is an essential part of making sure a scheme is being run well. Having good quality data ensures that members will receive the correct benefit entitlement and the Fund Actuary is able to calculate more accurate employer contribution rates.

1.5.2 In accordance with the Pension Regulator's (TPR) Code of Practice 14 and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014, the Fund carries out a review of our data on an annual basis, and this is reported to the Pension Regulator as part of their Annual Survey.

1.5.3 The Fund reports on Common and Scheme Specific Data. Common data is specified in the Pension Regulator's guidance and Scheme Specific data is based on a standard data set of 22 core tests agreed with the Local Government Association.

1.5.4 The fund last carried out a review of its data in November 2019 and the results were as below:

Data	2018	2019
Common Data	96%	99.69%
Scheme Specific Data	81%	88.81%

1.5.5 Whilst these results are positive, the Pension Fund has put in place a Data Improvement Plan. The data improvement plan provides the Fund with a plan and set of actions to be carried out to improve and then maintain the accuracy of the data that it holds. These actions will be carried out by the pension fund to rectify records, and improve its results in preparation for the next data review.

1.5.6 The Fund continually strives to improve the data that it holds within its pension administration system, and works closely with employers to ensure accurate and timely data is received.

2. Key Performance Data

2.1 Performance Indicators

2.1.1 Table 1 - key performance information

Process	Number of cases outstanding at start of period	Number of new cases commenced in year	Number of cases completed in year	Number of cases outstanding at year end	% Completed in year
Deaths	119	600	589	130	81.92
Retirements	423	1,723	1,808	338	84.25
Deferment	321	1,806	1,908	219	89.70
Transfer in	340	611	580	371	60.99
Transfer out	126	819	878	67	92.91
Refund	240	961	1,036	165	86.26
Divorce	33	158	181	10	94.76
Member estimate	533	2,443	2,611	365	87.74
Joiners	611	4,651	4,386	876	83.35
Aggregation	1,871	827	2,014	684	74.65
Total	**4,617**	**14,599**	**15,991**	**3,225**	**83.22**

2.1.2 The Performance Indicator data in these tables relates to Pension Benefit Administration. The data for these performance indicators have been taken from the Pension Administration System, Altair, using workflow reports.

2.1.3 Each process the Fund carries out, in relation to Benefit calculations, has a corresponding workflow process(es) within Altair. The workflow reports measure the amounts of time between two stages within the process to report the performance indicator.

2.1.4 Table 2 – key performance indicators

Process	KPI	%	Number of cases completed	Legal requirement	%	Number of cases completed
Retirements – letter notifying estimate of retirement benefits (Active)	15 days	84.28	611	2 months	99.72	723
Retirements – letter notifying actual retirement benefits (Active)	15 days	94.58	680	2 months	99.58	716
Deferred into Pay – Process and Pay lump sum retirement grant	15 days	98.77	806	2 months	99.75	814
Deferment – calculate and notify deferred benefits	30 days	71.78	1,160	2 months	83.17	1,344
Transfer In – Letter detailing transfer quote	10 days	94.48	445	2 months	98.51	464
Transfer Out – Letter detailing transfer quote	10 days	66.60	319	2 months	96.66	463
Refund – Process and pay a refund	10 days	90.83	703	2 months	99.48	770
Divorce Quote – letter detailing cash equivalent value and other benefits	45 days	95.65	132	3 months	98.55	136
Joiners – notification of date of enrolment	40 days	94.34	1,685	2 months	98.88	1,766

2.1.5 During 2018/2019 the Fund made changes to its workflow processes which has enabled it to report on additional performance indicators this year.

2.1.6 The Fund is still unable to report on all of the best practice performance indicators due to limitations on the reporting ability of the Altair Pension System. The Fund continues to work with Aquila Heywood, the pension system provider, and CIPFA to address these issues.

2.1.7 The Fund is committed to improving the performance levels of the Fund, and over the forthcoming year will be reviewing the performance indicators on a regular basis to improve its performance levels.

2.2 Financial Indicators

2.2.1 Cost per scheme member has been calculated as the total management expenses divided by the total number of scheme members.

	31 March 2020 Number of members	2019/2020 Total expenses £000	2019/2020 Cost per member £
Membership as at 31 March 2020			
Contributors	24,200		
Pensioners	18,299		
Deferred benefits	18,621		
Total scheme members	**61,120**		
Administrative costs		1,280	**20.94**
Investment management expenses		8,176	**133.77**
Oversight and governance costs		1,047	**17.13**
Total management expenses		**10,503**	
Total cost per scheme member including investment costs			**171.84**
Total cost per scheme member excluding investment costs			**38.07**

The following table shows the total cost per scheme member for prior years compared to the average cost for Welsh LGPS pension funds using SF3 data:

Process	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	Wales 2018/2019
Investment management expenses						
Total Cost (£'000)	7,753	7,466	7,055	7,492	7,655	75,294
Total Membership (number)	53,237	55,481	57,244	59,294	61,120	368,226
Sub cost per member (£)	145.63	134.57	123.24	126.35	125.24	204.48
Administration costs						
Total Cost (£'000)	995	1,131	1,108	1,225	1,217	11,062
Total Membership (number)	53,237	55,481	57,244	59,294	61,120	368,226
Sub cost per member (£)	18.69	20.38	19.36	20.66	19.91	30.04
Oversight and governance costs						
Total Cost (£'000)	655	608	770	649	674	4,119
Total Membership (number)	53,237	55,481	57,244	59,294	61,120	368,226
Sub cost per member (£)	12.30	10.96	13.45	10.95	11.02	11.18
Total cost per member £	**176.62**	**165.91**	**156.05**	**157.96**	**156.17**	**245.70**

2.2.2 **Overpayments**

With payments made in excess of £100m each year by the Fund, there will on occasion be instances of overpayments. The Fund seeks to minimise, and recover where appropriate, any overpayment made to members and in general these arise from late notification of a member's death. The following table sets out overpayments during the last year.

Year	Cases	Pension Overpayments	% of gross pension
2019/2020	5	£606.16	0.005

In all the above cases, the monies have either already been recovered or the Fund is in direct contact with those concerned and arranging repayment.

2.3 Staffing

2.3.1 Staff numbers (FTE) and staff to Fund member ratios

As at 31st March 2020 there were 26.87 full time equivalent (FTE) members of staff in the pension section, with 12.74 responsible for pure Pension Administration (Benefits).

2.3.2 The table below shows the 5 year trend of LGPS Administration (Benefits) staff to fund ratio.

Year	Fund membership	LGPS administration staff	Staff to fund member's ratio
2019/2020	61,120	12.74	4,797
2018/2019	60,214	11.75	5,124
2017/2018	59,294	12.00	4,941
2016/2017	57,244	10.53	5,436
2015/2016	55,481	11.00	5,043

2.3.3 Average cases per member of staff

The table below shows the average number of cases per member of staff.

Team	Number of staff	Number of cases	Average number of cases
Pension administration staff (benefits)	12.75	15,402	1,208

2.3.4 The information for the 'staff numbers (FTE) and staff to fund member ratio' has been taken from the pension section's staffing structure and the total number of members.

2.3.5 The information for the 'average cases per member of staff' have been taken from the pension section's staffing structure and workflow reports.

3. Other Information

3.1 Retirements during the year

This table provides a summary of the number of retirements within the Fund during 2019/2020.

Reason for leaver	Number of pensioners
Early Retirement	229
Normal Retirement	1
Redundancy/ Efficiency	117
Ill Health	63
Late Retirement	73
Flexible Retirement	50
Total	**533**

3.2 Analysis of employers in the Fund

This table provides a summary of the number of employers in the Fund with active members and ceased (no active members but some outstanding liabilities).

	Active	Ceased	Total
Scheduled Body	35	9	44
Deemed Body	1	1	2
Admitted Body	24	20	44
Total	**60**	**30**	**90**

4. How the Service is Delivered

4.1 Key areas of technology used

4.1.1 The pension fund uses the pension administration system, Altair, which is provided and hosted by Aquila Heywood. Aquila Heywood provide regular updates to the system to ensure that it keeps in line with changes in regulations and other legislation. In addition to the core administration system, the Fund uses the following Altair modules: Pensioner Payroll, Workflow and Image (Scanning).

4.1.2 The Fund's member and employer online services, My Pension Online (MPO) and Employer Self Service (ESS) respectively, are provided by Civica. ESS enables employers to send information regularly and securely to the pension fund, upload spreadsheets, including monthly returns, starters and changes, and complete e-forms including termination forms, changes and estimate requests. MPO enables members to see their pension account on-line, view the value of the pension that they have built up, check the information that we hold for them is correct, and inform the Fund of any changes in personal circumstances, such as changes to name, address and email address. MPO also has the facility to enable active members to run estimates to see how changes might affect their pension, for example retiring early, changing hours, or swapping yearly pension for a one off lump sum payment.

4.1.3 The Fund use the Government "Tell Us Once" service and ATMOS to help identify members who are deceased.

4.1.4 The Fund participates in the National Insurance Database in order to comply with LGPS governing regulations. It enables the Fund to check for duplicate death grants, check eligibility for transfer, refund and trivial commutation payments, establish interfund options for re-joining members and trace lost members.

4.2 **Key information sources**

4.2.1 The Fund has its own website, http://gwentpensionfund.co.uk which is hosted by Hymans Robertson. The website contains information for active, deferred, pensioner and dependant members. The website also has links to the employer and members self-service modules, and contact details for the Fund. The Fund offers two helpdesk options for members. One relates to member's benefit queries, and the other for member's queries regarding MPO.

4.3 **Staffing**

4.3.1 The Pensions Section comprises of 5 teams across 30 posts. There are 26 posts on the establishment list of the Pension Administration section, including the Pension Manager and Operations Manager. This equates to 23.61 full time equivalent members of staff. There are an additional 4 members of staff (3.26) full time equivalents) covering Pensions Investment and the wider governance of the Fund.

4.3.2 The Payroll Team
The Payroll Team have averaged 3.18 fte staff during the year. They are responsible for calculating and checking pensions into payment, processing the monthly payment of pension, and ensuring the correct pensions are paid to the correct pensioners.

4.3.3 The Benefits Team
The Benefits Team have averaged 10.75 fte staff during the year. They are responsible for processing and checking a full range of benefit calculations including retirements, early leavers, deferred benefits, transfers in and out of the Pension Fund, refunds, estimate calculations, annual allowance, additional voluntary contributions and additional pension contributions. They are also responsible for providing advice and guidance to Scheme employers and members in relation to LGPS Regulations and related legislation.

4.3.4 The Systems Team
The Systems Team have averaged 5.78 fte staff during the year. They are responsible for data quality and data cleansing, as well as processing the monthly and year end files and electronic data exchange between the employer and the pension fund.

4.3.5 The Communications Team
The Communications Team have averaged 1.90 fte staff during the year. They are responsible for dealing with incoming post and emails received into the central inbox, communicating changes to regulations and guidance to employers and employees, updating pension fund letter templates and forms as well as updating Fund specific information on the pension fund website.

4.3.6 Contact details for the pension fund are available on our website:
http://gwentpensionfund.co.uk/greater-gwent-torfaen-pension-fund/about-us/contact-details/

4.4 **Accuracy and confidentiality of personal data**

4.4.1 The Pensions Section has robust systems and processes in place to protect the safety and security of data held by the Fund. The Fund adheres to the General Data Protection Regulations, which came into force on 25th May 2018. A copy of the Fund's Privacy Notice is available on the website:
http://gwentpensionfund.co.uk/media/3748/privacy-notice.pdf

4.5 **Internal Dispute Resolution Procedure**

4.5.1 The Pensions Section operates a two stage Internal Dispute Resolution Procedure which can be found on the website. The website also contains links to the Pension Advisory Service and the Pensions Ombudsman:

http://gwentpensionfund.co.uk/media/4226/dispute-procedure-guide.pdf

IDPR cases reported 2019/2020

Stage	Cases submitted	Dismissed	Upheld	Ongoing
1	9	4	4	1
2	2	2		

4.6 **Policy and guidance for employing bodies or members**

4.6.1 The Fund's Policy and Guidance document for granting Admitted Body Status is available on our website: https://gwentpensionfund.co.uk/greater-gwent-torfaen-pension-fund/about-us/forms-and-publications/

FUND POLICIES

1. Investment Strategy Statement

1.1 Background

The 2016 LGPS investment regulations require administering authorities to prepare, publish and review from time to time a written Statement recording the investment policy of the Pension Fund (Investment Strategy Statement or ISS). The ISS documents and puts into effect the Fund's principal powers to invest in accordance with the investment regulations, but within an updated statutory framework that allows more flexibility with increased prudential responsibility in determining the investments the Fund makes. The Fund produced its first ISS as required in April 2017 and page 54 of this Annual Report includes a website link to access this document. The ISS has undergone a detailed review during the course of 2019/20, with a revised version due to be published in 2020. The review has not considered any fundamental changes to the document or structure but has instead sought to articulate the revised Strategic Asset Allocation formally agreed in September 2019, together with a more substantial consideration of the Wales Pension Partnership (WPP) recognising the fact that the Pool is now operational. The below however provides a brief overview of the document.

1.2 Introduction

The ISS confirms that the Committee seeks to invest, in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (see paragraph 3 below).

1.3 The suitability of particular investments and types of investments

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The Committee monitors the investment strategy on a regular basis, focusing on factors including, but not limited to:-

- Suitability given the Fund's level of funding and liability profile
- Potential impact of market conditions on long term levels of expected risk
- Outlook for asset returns

Within its general consideration of strategic approach, the Fund's Investment Objectives can be summarised as:-

- to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodes
- to manage employers' liabilities effectively
- to ensure that sufficient resources are available to meet all liabilities as they fall due
- to maximise the returns from investments within reasonable risk parameters
- to ensure that all statutory payments made from the Pension Fund are at minimal cost to local tax payers
- to ensure the Fund has a credible funding plan in place with the aim over the longer term of achieving full funding of all liabilities as they fall due (i.e. 100% funding)
- to aim for consistent above median investment returns over rolling 3 year periods

1.4 Investment of money in a wide variety of investments

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds.

The Fund's target investment strategy is set out within this section of the ISS including the maximum percentage of total Fund value that it will invest in these asset classes and at which point re-alignment to strategy needs to be considered. At regular intervals, and certainly at each review point of the investment strategy, projections of anticipated return and risk levels are undertaken to ensure these continue to meet the actuarial requirements versus the Fund's assessed liabilities.

1.5 Investment management arrangements

The ISS notes that the Committee has appointed a number of appropriately authorised external investment managers to manage the vast majority of the Fund's investments. The residual is allocated internally to manage the Fund's strategic allocations to property, cash and a small element of the Alternatives allocation. At present there are five investment managers appointed via individual Investment Management Agreements. The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

1.6 The approach to risk, including the ways in which risks are to be measured and managed

The ISS includes a detailed section noting the various types of risk the Fund faces and the measures in place to mitigate those risks. The risks are analysed across the headings of Funding, Investment and Governance Risks. As well as being included within the ISS, specific asset and provider risks are summarised within Note 17 to the Fund's Accounts on Page 82 of this report.

1.7 The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the Wales Pension Partnership (WPP). The Fund's intention is to invest its assets through the WPP as and when suitable Pool investment solutions become available; and provided the solution meets the Fund's investment objectives and criteria. The ISS provides details of the structure and governance arrangements of the WPP together with the collectively agreed objectives of the partnership, confirmation of the transition activity to date and a timetable of future investment solutions to be offered to Funds.

1.8 How social, environmental or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments

It is recognised that ESG factors influence long term investment performance and the ability to achieve long term sustainable returns. The ISS details the Fund's approach to the consideration of ESG Factors and Sustainable Investment as well as its approach to the Stewardship of its assets. In addition, this section also reflects the views and work of the WPP in establishing its own policies and objectives. Further details of this are included within Section 2 (below) but it should be noted that this is an area under active review by the Fund's Responsible Investor Working Group.

1.9 Feedback and review

The Pensions Committee has reviewed the Statement, and will continue to regularly review the Statement going forward, with appropriate stakeholder consultation, including the advice of the investment advisor, actuary and the Assistant Chief Executive (Resources).

2. Socially Responsible Investment & Corporate Governance

2.1 Responsible Investment

Responsible investment is the term used to incorporate Environmental, Social and Governance (ESG) considerations into investment decision-making which, in turn, allows for better risk management and sustainable long-term returns. The Fund's approach to Responsible Investment is set out within the Investment Strategy Statement (ISS) which is published on the Fund's website.

The Fund is a responsible and active investor, and the Pensions Committee takes its fiduciary duty to act in the best interests of beneficiaries very seriously. As a long-term investor, this includes the Committee having considered issues around responsible and sustainable investments for a number of years, in particular the material risks the Fund faces to its investments from climate change, and the challenges of investing sustainably and for the long-term in a time of climate change.

Within the Fund's governance structure, the Pensions Committee set up a Responsible Investments Working Group (RIWG), made up of members of the Pensions Committee and Pension Board, including the Chairs of each, which has an advisory role and makes recommendations to the Committee and Local Pension Board. The remit of the RIWG focuses on a range of ESG issues, including how the Fund can best meet its fiduciary duties with the risks posed by challenges such as climate change. In order to be best placed to understand and make informed decisions about responsible and sustainable investments, the Fund's Pensions Committee and Pension Board members have received training in ESG matters from specialist advisers.

The RIWG have assisted the Pensions Committee and Local Pension Board in establishing and refining the Fund's statement of investment beliefs. These are included in full within the Fund's Investment Strategy Statement (ISS) but the key beliefs in respect of Responsible Investment are referred to below:

1. **ESG issues can have a material impact on the long-term performance of the Fund's investments**

   - ESG matters are a fundamental part of the Fund's fiduciary duty to act in the best interests of its beneficiaries.
   - We expect our investment managers to consider ESG matters as part of their decision-making processes.

2. **Successful engagement can protect and improve the long-term value of the Fund's investments**

   - We encourage our investment managers to engage with the companies we invest in on ESG matters, to positively influence company behaviour.
   - We believe we will have greater influence on company behaviour if we remain invested; however, we retain the option to disinvest as the ultimate sanction where a company is not prepared to respond in a reasonable or timely manner or where we deem there to be an overall detrimental effect on the Fund.

3. We intend to collaborate with other funds to pursue our engagement policy

- The Fund is a member of the Local Authority Pension Fund Forum, one of the UK's leading collaborative shareholder engagement groups.
- We expect our investment managers to work with others if this will lead to greater influence and improved outcomes for us as shareholders, and encourage companies to do better on ESG issues including lowering their carbon footprint.

2.2 **Activity during the 2019/20 year**

Fund progress on Responsible and Sustainable Investments and Climate Change

During the year, the RIWG has initiated the development of the Fund's investment beliefs into policies for Responsible and Sustainable Investments and Climate Change, which were approved by the Pensions Committee in September 2019. As a responsible investor seeking long-term sustainable investment that will give us long-term stable returns our overarching policy objectives are:

- We believe that climate change is the largest material risk to the pension fund assets that we've invested for LGPS beneficiaries for the long- term.
- Our overall policy aim is to lower the 'carbon footprint' of the greenhouse gas emissions of our investments, so that we are in line with the international targets to keep global warming well below 2°C.
- The Fund will maintain an ambition and a clear path towards meeting government requirements as set out from time to time in legislation or guidance, and will therefore review and re-set this policy approach and the targets it aspires to periodically.

As part of its Climate Change Policy, the Fund has set out short-term objectives, and medium to longer-term objectives towards lowering the carbon footprint of our investments; these are detailed within the policy document and include:

- Measuring and monitoring the carbon footprint of our investments, so we can assess how we are lowering it over time.
- Actively seeking, researching and considering new investment opportunities, with the aim of reducing our carbon footprint.
- Working with the Wales Pension Partnership to effectively influence their approach to responsible and sustainable investments, ESG issues, and lowering their carbon footprint.

Asset Pooling - the Wales Pension Partnership (WPP)

In line with government requirements, the Fund is increasingly investing via the WPP. Within our policy objectives we will work closely with the seven other Welsh LGPS funds in the WPP, and the operator and advisers, to ensure that there are pooled investments available which will facilitate us being on course to achieve a below 2°C global warming scenario by 2050.

During the year, steps have been taken to reduce the impact of carbon intensity on WPP investments through the implementation of a de-carbonisation 'screen' introduced by one of its managers. This process is being carried out by an active investment manager seeking to add value over and above the benchmark return. It is envisaged that, as meaningful reporting continues to be established, the RIWG will analyse outputs to ensure they are compliant with Fund policies and propose additional work be carried out as required.

Measuring the Fund's carbon footprint - Engaged Tracking

During 2019/20, the RIWG endorsed the re-appointment of Engaged Tracking in order to carry out further carbon analysis of the Fund's investments, both in terms of legacy assets as well as those transitioned into the WPP. This analysis serves as a useful comparator as well as a benchmark for future carbon reduction.

Working within the framework of our Climate Change policy, going forwards the Fund will aim to measure what the carbon footprint of investments would potentially be, before and after moving monies into the WPP, so that we can make an evidence-based decision about moving monies into new investment funds.

Our specialist advisors, Urgentem (Engaged Tracking), use the Task Force on Climate-related Financial Disclosures method of measurement, which is to use data from Scope 1, Scope 2 and, where available, Scope 3. Where moving monies into a new WPP investment fund would appear to increase its carbon footprint, then the Fund will aim to avoid moving the monies unless there were an overriding material reason to do so.

New / Sustainable Investment Opportunities

During the course of the year the Fund has made significant progress in reducing its carbon footprint, by moving £715 million (22% of the Fund value at the point of transfer) from its UK and US passive equity investments into Blackrock's low carbon global equity index tracker fund. The RIWG prompted consideration of these discussions with a focus on the environmental aspect of ESG, resulting in a carbon intensity benchmark reduction of between 70-80% in comparison to regional MSCI indexes previously adopted by the Fund. This is an important further step upon which we will build going forwards by seeking new responsible and sustainable investment opportunities.

The RIWG's outlook and focus for the 2020/21 year

During the 2019/20 year, the Fund published its Responsible and Sustainable Investments Framework and Climate Change policy objectives, and reduced the carbon footprint of its investments. Although these were significant steps, the Fund is aware that there are further steps to be taken on its journey as an active and responsible investor, seeking long-term sustainable investments and, in particular, achieving its goal of a well below 2°C scenario, and in line with government targets as may be set from time to time. In terms of 'next steps', during the 2020/21 year, the RIWG will be:

1. Contributing to the establishment of WPP Voting & Engagement policies on behalf of the WPP and its Constituent Authorities. The RIWG members will have an active role in taking forward voting an engagement, which includes:

    a. Receiving training from the new WPP voting and engagement provider.
    b. Contributing to discussions surrounding the WPP (and Constituent Authority) voting policies and engagement principles.
    c. Reviewing the draft WPP Voting and Engagement policies for Pensions Committee consideration, ahead of WPP approval and implementation.
    d. Reviewing quarterly reporting from the WPP voting and engagement provider, including having the opportunity to challenge outputs from them.
    e. Making recommendations to Pensions Committee accordingly.

2. Analysing various investment portfolios, from a carbon perspective, to ensure opportunities identified within investment portfolios are in accordance with the Fund's policies.

3. Seeking and considering new investment opportunities, including those that either directly or via the WPP addresses: the Fund's objectives in terms of reducing its carbon footprint; or challenges from the Fund's broad stakeholder group, including lobby groups.

4. Working towards the Fund achieving signatory status of the revised UK Stewardship Code 2020.

5. Continue to review, on an ongoing basis, the Fund's current Responsible and Sustainable Investment and Climate Policies, and revise these as required, particularly in light of changing: Fund objectives, knowledge or understanding, or governmental policy or legislative requirements.

6. Reviewing, and making recommendations to Pensions Committee on, new guidance for LGPS funds, which is expected to be issued by The Pensions Regulator, and the Scheme Advisory Board during 2020/21.

Further Information

You can read the Fund's Responsible and Sustainable Investment and Climate Change policies in the Forms and Publications page on our website www.gwentpensionfund.co.uk in the Investments area.

You can read the Wales Pension Partnership's Responsible Investments Policy on their website www.walespensionpartnership.org in the Publications area.

2.3 **Myners Compliance**

In accordance with LGPS Regulations, the Fund is required to state the extent to which it complies with the principles of investment practice issued by the Government in response to the recommendations of a review of institutional investment in the UK originally undertaken by Sir Paul Myners. The original review by Myners prompted the Government in 2001 to issue 10 principles of investment practice and earlier versions of the Fund's Statement of Investment Principles showed the extent of the Fund's compliance against these.

However, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require the Fund to state the extent of compliance with a revised set of 6 Myners principles covering pension fund investment; scheme governance; consultation and disclosure. The Fund fully supports and endorses both the original and revised Myners principles that have influenced various sections of the Fund's Statement. In addition, the Fund recognises the Myners Principles on its risk register and is periodically reviewed to ensure compliance is maintained.

3. Funding Strategy Statement

3.1 Local Government Pension Funds are required to produce a Funding Strategy Statement (FSS) under Section 58 of the Local Government Pension Scheme Regulations 2013. Under the regulations, the administering Authority must prepare, maintain and publish a written statement setting out their Funding Strategy. The Statement includes:-

- The purpose of the Funding Strategy Statement in policy terms.
- Aims and purpose of the Pension Fund.
- Responsibilities of the key parties.
- Solvency issues and target funding levels.
- Links to the investment policy set out in the Statement of Investment Principles.
- Identification of risks and counter measures.

The FSS is prepared in collaboration with the Fund's Actuary, Hymans Robertson, and forms an integral part of the framework within which they carry out triennial valuations to set employers contributions and to provide recommendations on funding decisions.

Following the 2019 triennial valuation, the FSS has been revised and published with effect from 1 April 2020. In summary, the key updates to the policy include:

- A revised set of funding risks following their review during the triennial valuation process
- A review and update of the funding target basis and applicable time horizon
- A review and update of the key actuarial assumptions such as the discount rate and longevity expectations
- Recognition and update of regulation changes

Within these headings, the Statement sets out to establish a clear and transparent strategy, specific to the Fund, which will identify how employers' pension liabilities are best met going forward. The Strategy is geared to:-

- Ensure that sufficient resources are available to meet all liabilities as they fall due
- Manage employers' liabilities effectively
- Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost, and
- Maximise the returns from investments within reasonable risk parameters

Further details are contained in the Fund's full Funding Strategy Statement, which reflects the results of the Fund's most recent triennial actuarial valuation, and is available via the link on page 54 of this document.

4. Communications Policy Statement

4.1 The Fund's Communications Policy Statement (CPS) is produced under Section 61 of the LGPS Regulations 2013. It was last extensively reviewed and updated during early 2017 to reflect changes which the pension fund had introduced in relation to communicating with Employers and Members. It has additionally had some further minor factual update during March 2018 and is currently under further review with a revised publication due in 2020.

4.2 The current CPS continues to address the points below that have been noted within recent annual reports :-

- the increased complexity of the LGPS
- the increased demand from scheme employers for guidance in relation to the application of LGPS Regulations
- the increased demand from scheme employers for guidance in relation to budget restrictions and the impact on pension costs
- the increased demand from scheme members in relation to the application of the LGPS Regulations and wider pension and tax planning issues
- the increase in the level of reporting to DCLG, the Scheme Advisory Board, the Local Pension Board and the Pension Regulator
- the desire to make better use of the opportunities available in relation to electronic communication, including conference calls and webinars

4.3 The updated policy however reflects the significant improvements in the area of electronic communication which have been introduced by the Fund. These include an upgrade to the pension fund website as well as the roll out of Employer Self Service and Member Self Service. Employer Self Service enables employers to submit year end and monthly data through a secure portal but also provides a secure means of communication between the pension fund and the employers. Member Self Service enables members to view their pension records and plan more effectively for their retirement and enables the Fund to communicate with the scheme members in a secure, cost effective manner.

4.4 The Policy aims remain focused on ensuring that the Fund delivers clear and timely, proactive communications to our stakeholders which are targeted, clear and accessible, accurate and timely and easily understood. The Fund recognises that there is a diverse range of scheme employers within the Fund with different levels of resource and understanding of pension's issues.

4.5 The Employer self-service facility has improved the flow of information to and from, in particular, the larger employers. However, the Fund recognises the need to maintain other forms of communication which are tailored to meet the differing needs of scheme employers including individual face to face meetings, employer forums, training workshops and guides as well as telephone and email engagement.

4.5 The My Pension Online facility has proved popular with members particularly those who are approaching retirement as the benefit calculator enables them to plan more effectively for their retirement. The pension fund website is the main source of information for scheme members and can now be used effectively on different devices including smart phones and tablet devices. The Fund encourages members to utilise the electronic communication facilities whilst recognising the need to utilise other forms of communication including face to face meetings, presentations and workshops, letters, newsletters and telephone.

5. Pension Fund Annual Report

5.1 Section 57 of the LGPS Regulations 2013 requires the administering authority to publish a pension fund annual report; something we have always done. The regulations also prescribe their content in legislation. Recent regulation within Wales also provides external auditors with the means to undertake separate audits of LGPS pension funds. Advice from the Ministry for Housing, Communities and Local Government is that in meeting this policy objective, care has been taken to ensure that as far as possible, the way in which administering authorities already prepare and publish Fund annual reports can continue as before. With this in mind, although regulation 76B (1) requires an administering authority to prepare a document including the items listed in regulation 76(B) (a) to (k), primarily for the use of external auditors, new regulation 76(B) (2) also refers to the reports being published which, in the context of the regulation as a whole, enable an authority to "signpost" the individual items in a simpler document, as an alternative to the hard copy report.

5.2 The Fund has therefore included in the annual report a summary of the required key documents which are available in full using this hyperlink to the pension fund website:-

https://gwentpensionfund.co.uk/greater-gwent-torfaen-pension-fund/about-us/forms-and-publications/

Greater Gwent (Torfaen) Pension Fund ("the Fund") Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £2,929 million, were sufficient to meet 86% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £478 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.6 years	22.9 years
Future Pensioners*	21.6 years	24.6 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were disrupted by COVID-19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Peter MacRae FFA

15 September 2020

For and on behalf of Hymans Robertson LLP

The independent auditor's report of the Auditor General for Wales to the members of Torfaen County Borough Council as administering authority for Greater Gwent (Torfaen) Pension Fund

Report on the audit of the financial statements

Opinion
I have audited the financial statements of Greater Gwent (Torfaen) Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004. Greater Gwent (Torfaen) Pension Fund financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion
I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am 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.

Emphasis of Matter - effects of Covid-19 on the valuation of land and buildings
I draw attention to Note 5 to the financial statements, which describes material valuation uncertainty clauses in the valuation report's on Pooled Property Units arising from circumstances caused by the Covid-19 pandemic. My opinion is not modified in respect of this matter.

Conclusions relating to going concern
I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. 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.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with Local Government Pension Scheme Regulations 2013.

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 annual report.

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

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

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements on page 1, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control 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. In preparing the financial statements, the responsible financial officer is responsible for assessing the 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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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.

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.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
Date: 15 September 2020

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the Torfaen County Borough Council website is the responsibility of the Council. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Pension Fund Annual Report since it was initially presented on the web site.

Pension Fund Accounts

Contents	Page Number

Pension Fund Accounts 2019/2020

Fund Account for the Year Ended 31 March 2020

	Note	2018/2019 £000	2019/2020 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	(118,047)	(129,790)
Transfers in from other pension funds	8	(6,280)	(7,939)
Other income	12a	(4)	(9)
		(124,331)	(137,738)
Benefits	9	118,602	123,185
Payments to and on account of leavers	10	7,842	6,784
		126,444	129,969
Net (additions)/withdrawals from dealings with members		**2,113**	**(7,769)**
Management expenses	11	9,550	10,503
Net (additions)/withdrawals including fund management expenses		**11,663**	**2,734**
Returns on investments			
Investment income	12	(27,232)	(18,913)
Taxes on income	13a	21	29
Profit and losses on disposal of investments and changes in the market value of investments	14a	(122,608)	217,525
Net return on investments		**(149,819)**	**198,641**
Net (increase)/decrease in the net assets available for benefits during the year		**(138,156)**	**201,375**
Opening net assets of the scheme		**(2,790,820)**	**(2,928,976)**
Closing net assets of the scheme		**(2,928,976)**	**(2,727,601)**

Net Assets Statement for the Year Ended 31 March 2020

	Note	2018/19 £000	2019/20 £000
Investment assets	14	2,923,582	2,719,630
Investment liabilities	14	-	-
Total net investments		**2,923,582**	**2,719,630**
Current assets	20	11,453	12,781
Current liabilities	21	(6,059)	(4,810)
Net assets of the Scheme available to fund benefits at 31st March		**2,928,976**	**2,727,601**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 19.

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF FUND

The Greater Gwent (Torfaen) Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Torfaen County Borough Council.

The following description of the Fund is designed to be a summary only. For more detail, reference should be made to the 'signposting' to the Fund's statutory documentation on page 54.

1.1 General

The Fund is governed by the Public Service Pension 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)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Fund is an occupational, contributory, defined benefit pension scheme for pensionable employees of local authorities in Greater Gwent, except for teachers who have a separate scheme. Employees of a range of other organisations providing public services in Greater Gwent are also allowed to join the Fund as scheduled or admitted bodies. The scheme is financed by contributions paid by the employees, their employers and earnings from the investment of the Fund's money. The type of investment is decided by legislation and not by the local authorities.

As administering authority, Torfaen County Borough Council is responsible for interpreting all pension laws, keeping accurate records, calculating and paying benefits, and providing information to employees, employers and other relevant bodies. Torfaen County Borough Council has established within its Constitution a Pensions Committee to discharge its duties as administering authority of the Fund. The Fund's primary stakeholder representative body is its Local Pension Board. The Public Service Pensions Act 2013, and subsequently the LGPS (Amendment) (Governance) Regulations 2015, required all LGPS Funds to form such a Board. As with the Pensions Committee, the Local Pension Board is formally established within the Council's constitution. The Board has a statutory role to assist the Council in its role as the Scheme Manager of the Pension Fund.

1.2 Membership

Membership is automatic for all employees other than those with a Contract of Employment of less than three months, who can elect to join, employees of admitted bodies and those who have opted out in the past.

There are 60 active employer organisations within the Greater Gwent (Torfaen) Pension Fund, including the administering authority itself. The table below provides some further details in terms of membership.

Fund Membership

	Active Members 31/03/19	Active Members 31/03/20
Administering Authority		
Torfaen CBC	2,996	3,116
Current Scheduled Bodies		
Blaenau Gwent CBC	2,651	2,599
Caerphilly CBC	6,777	6,789
Monmouthshire CC	3,118	3,171
Newport City Council	4,244	4,291
Valuation Panel	4	4
Coleg Gwent	693	722
Coleg Gwent Training	3	-
Chepstow Town Council	9	7
Brynmawr Town Council	1	1
Chief Constable (Gwent)	790	782
Police & Crime Commissioner (Gwent)	21	18
Silent Valley Waste Disposal	3	3
Caldicot Town Council	3	3
Nantyglo & Blaina Town Council	2	2
Monmouth Town Council	4	4
Gwent Cremation Committee	10	11
Cwmbran Community Council	7	9
Pontypool Community Council	8	7
Tredegar Town Council	2	2
Rogerstone Community Council	5	6
Bargoed Town Council	1	1
Portskewett Community Council	1	1
Shirenewton Community Council	1	1
Henllys Community Council	1	-
Magor with Undy Community Council	2	2
Langstone Community Council	1	1
Caerwent Community Council	1	1
Llanfoist Fawr Community Council	1	1
BTM CC	1	2
Abertillery & Llanhillith Community Council	1	2
Abergavenny Town Council	2	2
Croesyceiliog & Llanyrafon Community Council	3	1
Shared Resource Service	206	206
Llanbradach & Pwll-y-pant Community Council	1	1
Vann Community Council	-	1
Rogiet Community Council	-	1
Deemed Bodies		
Newport Transport	5	5
Admitted Bodies		
Melin Homes	47	45
Careers Wales Gwent	97	105
Citizen Advice Bureau Caerphilly	7	6
Mitie (formerly Ballast)	1	1
Hafod Care	12	10
Archives	15	15
Monmouthshire Housing	182	187
Bron Afon	379	341
Newport City Homes	258	313
Tai Calon	222	204

Fund Membership

	Active Members 31/03/19	Active Members 31/03/20
Admitted Bodies continued		
Drive	4	4
Regent Ex Monmouth CC	1	-
Vinci	1	1
Compass Catering	36	33
National Trust	4	4
Barnardo's	2	1
EAS	68	69
Churchill	3	3
Torfaen Leisure Trust	242	253
NPS Newport	27	-
NCS Norse	86	119
Life Leisure	396	353
Newport Live	255	287
Alliance in Partnership	1	1
Gyncoed Catering	7	6
Radis	-	63
Total Active Membership	23,932	24,200
Total Deferred Members	18,749	18,621
Total Pensioners and Dependants	17,533	18,299
Total Membership	**60,214**	**61,120**

1.3 **Benefits**

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uplifted annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the Fund website http://gwentpensionfund.co.uk/

1.4 **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. This has set employer contribution rates range from 16.8% to 52.6% of pensionable pay with affect from 1st April 2020.

2. BASIS OF PREPARATION

2.1 The fund account summarises the Fund's transactions for the 2019/20 financial year and its financial position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

2.2 The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 19, page 92.

The accounts have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fund account – revenue recognition

The Fund Account is prepared on an ‘accruals basis’ unless otherwise stated below.

i) Contribution Income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Early retirement strain costs due from employers are accounted for in the period in which the liability arises, with any amount due in year but unpaid classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

ii) Transfers To and From Other Schemes

Transfer values are accounted for on a cash basis due to the liabilities not transferring until payments are actually made or received.

Group transfers are accounted for on an accruals basis in accordance with the terms of the agreement.

Annual allowance tax charges that are paid to HMRC by the Fund on behalf of employees are accounted for as transfers out as their benefits are reduced accordingly.

iii) Investment Income

- Interest income from cash deposits is accounted for on an accruals basis.
- Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Income on pooled investments is accumulated and reflected in the valuation of units with the following exceptions:

  a) The Fidelity Multi Asset Income Fund generates monthly income distributions, although this is currently reinvested by the fund manager rather than paid out.
  b) The Prudential/M&G UK Companies Financing Funds (Funds I and II) are in the form of limited liability partnerships and pay out income distributions.
  c) Dividends are paid out by most of the property pooled funds held by the Fund either monthly or quarterly.

- Any accrued dividend entitlements and tax reclaims receivable as at 31 March are included in 'other investment balances' and disclosed in the investment assets.

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

3.2 Fund account – expense items

i) Benefits Payable

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year.

Pensions and lump-sum benefits payable include all amounts due as at 31 March in any year. The Fund does not normally account for, or disclose the effects on, benefits payable of any former employee decisions that occur post April 24 in any year, unless the total value is material.

The Fund's financial statements do not include CAY (Compensatory Added Years) and the related pension increases as the Pension Fund acts as an agent for the employing authority when making these payments.

ii) Management Expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016)'. All items of expenditure are charged to the Fund on an accruals basis as follows.

- **Administrative expenses**

All staff costs of the pension administration section are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund in accordance with council policy.

- **Oversight and governance costs**

All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. This figure also includes the cost of our involvement in the pension fund collaboration across Wales via investment pooling which is shared between the 8 Welsh LGPS Funds. Further details on the Wales Pension Partnership can be found on page 21 and in Note 13(b) on page 74.

- **Investment Management Expenses**

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition the Fund has negotiated with Fidelity Worldwide Investment and Aberdeen Standard Investments that an element of their fees be performance related.

Where an investment manager's fee invoice has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2019/20 £1.09m of fees is based on such estimates (£0.17m in 2018/19).

iii) **Taxation**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

The Fund operates in the VAT registration for Torfaen County Borough Council and the accounts are shown exclusive of VAT. We can recover VAT input tax on all Fund activities.

3.3 Net assets statement

i) **Financial assets**

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

ii) **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

The administering authority has the option of investing fixed term in specified investments or alternatively in instant access money market fund accounts, in accordance with the Fund's Cash Management Strategy which is reviewed and approved annually by the Pensions Committee. (The lending party is the Pension Fund rather than Torfaen County Borough Council as administering authority).

iii) **Financial Liabilities**

A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments. Other financial liabilities classed as amortised cost are carried at amortised cost.

3.4 Wales Pension Partnership

In accordance with Central Government requirements the Wales Pension Partnership (WPP) has established a Joint Governance Committee formed from Elected Member representatives of the eight participating Welsh Funds to govern the WPP and a regulated third party operator, Link Fund Solutions, has been appointed to administer the pooling arrangements. There is no direct investment in the third party and therefore no investment balance. Each Fund retains responsibility for its own funding requirements and investment strategy but then uses the WPP to implement its investment requirements thereby aiming to achieve economies of scale in fees. The costs of setting up and running the WPP are shared by the eight partners (see Note 13b page 74).

3.5 **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19, page 92).

3.6 **Additional voluntary contributions**

The Greater Gwent (Torfaen) Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Standard Life and Clerical Medical as its AVC providers. Some AVC contributions from prior years are also held with Equitable Life who have been taken over by Utmost during the year. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 22, page 93.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

4.1 **Pension Fund liability**

The triennial valuation of the Fund carried out under Regulation 62 of the LGPS Regulations 2013 differs from the IAS19 annual valuations of the promised retirement benefits at the balance sheet date. The pension fund valuation is calculated every three years by the appointed actuary. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 18, page 90. This estimate is subject to significant variances based on changes to the underlying assumptions. The Code requires disclosure of the actuarial value of promised retirement benefits for the whole Fund at balance sheet date. See paragraph 3.4 above and Note 19, page 92. Since this depends upon a number of complex judgements, an actuary advises on the assumptions employed and carries out the calculation. The assumptions employed for IAS19 accounting purposes can differ from those employed for the triennial valuation of the Fund and could affect the value calculated.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

5.1 The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends 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 returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £469m. A 0.5% increase in assumed salary inflation would increase the value of liabilities by approximately £58m and a one-year increase in life expectancy would increase the liability by approximately 3-5%. A 0.5% increase in the pension increase rate would increase the liability by £406m.
Pooled property funds valuation (Note 15)	Market activity is being impacted in many sectors by Covid-19. At the March 2020 reporting date, property fund managers consider that they can attach less weight to previous market evidence for comparison purposes. They are faced with an unprecedented set of circumstances on which to base a judgement. The fall in transactions and lack of clarity on pricing means that all major industry valuers have now added Material Uncertainty clauses to their property fund valuations.	Indicative net asset statements for property funds are subject to uncertainty at the reporting date and the £73.02m valuation for pooled property funds is less reliable than usual. The 1 year expected volatility of 14.2% could decrease the valuation to £62.6m or increase it to £83.4m.

6. EVENTS AFTER THE REPORTING DATE

6.1 The accounting statements are required to reflect the conditions applying at the end of the financial year, however, the Fund investment assets will move in line with the value of securities quoted on world stock exchanges which could increase or decrease. As the pension fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2020 and the date that the accounting statements are authorised for issue. This is known as a non-adjusting event after the reporting period.

6.2 **Non-adjusting event - McCloud Judgement and Cost Management Process**

In July 2020, a consultation on the proposed remedy for McCloud was published by MHCLG and is due to conclude in October. This has provided a clearer indication of the benefit changes arising from the McCloud judgement by limiting its eligibility to members who were active at 31st March 2012. At whole Fund level the actuary does not believe that the proposed remedy will have a significant impact on the cost of pension liabilities. Based on typical LGPS funding assumptions it is estimated that total liabilities could increase by around 0.2%. This estimate is lower than quoted in the LGPS consultation, which is due to a combination of factors of which pay growth is a crucial one.

The current IAS26 disclosure on the Fund's promised retirement benefits in Note 19 is therefore not likely to be materially affected by the results of this consultation. In light of the continued lack of clarity around the exact remedy of the McCloud judgement, no further revision to the value of promised retirement benefits has been made at the reporting date.

It is also proposed that the Pensions Cost Cap Mechanism, the process of revisiting the benefit structure and member contributions, which was paused in light of the McCloud debate will now be brought to a conclusion. The Government has confirmed that the costs of the McCloud remedy, will be fully reflected in the mechanism. This inclusion will reduce or wipe out the benefit improvement that had been due to take effect from 1st April 2019.

7. CONTRIBUTIONS RECEIVABLE

The primary employer contribution rates for the Fund for 2019/20 ranged from 16.8% to 52.6% of pensionable pay for individual employers. Also payable is the secondary rate which is made up of additional lump sums or contribution rates applicable, again to individual employers. During the year some employers have paid additional contributions over and above the rate set for them by the Actuary. The deficit recovery contribution contains lump sum payments and contributions paid over the primary rates.

By category

2018/19 £000		2019/20 £000
(26,320)	Employees' normal contributions	(27,591)
(123)	Employees' 50:50 contributions	(126)
(81)	Employees' additional contributions	(21)
(26,524)	**Total employees' contributions**	**(27,738)**
(75,244)	Employers' normal contributions	(80,372)
(13,812)	Employers' deficit recovery contributions	(17,049)
(2,467)	Employers' augmentation contributions	(4,631)
(91,523)	**Total employers' contributions**	**(102,052)**
(118,047)	**Total contributions receivable**	**(129,790)**

By type of employer

2018/19 £000		2019/20 £000
(16,245)	Administering Authority	(18,025)
(87,014)	Scheduled bodies	(95,327)
(207)	Deemed bodies	(207)
(14,581)	Admitted bodies	(16,231)
(118,047)		**(129,790)**

Pension Fund Accounts 2019/2020

Contributions received in 2019/2020 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Administering Authority	(3,701)	(14,324)	(18,025)	16,986
Torfaen CBC				
Scheduled Bodies				
Blaenau Gwent CBC	(2,894)	(11,485)	(14,379)	15,539
Caerphilly CBC	(7,061)	(24,773)	(31,834)	28,793
Monmouthshire CC	(3,361)	(12,885)	(16,246)	14,320
Newport City Council	(4,523)	(16,073)	(20,596)	19,445
Valuation Panel	(10)	(42)	(52)	24
Coleg Gwent	(722)	(3,028)	(3,750)	2,086
Coleg Gwent Training	(2)	(54)	(56)	29
Chepstow Town Council	(6)	(26)	(32)	21
Brynmawr Town Council	-	(3)	(3)	8
Gwent Police Authority	-	-	-	1,869
Chief Constable (Gwent)	(1,419)	(4,247)	(5,666)	1,844
Police & Crime Comm (Gwent)	(62)	(139)	(201)	80
Gwent Magistrates	-	-	-	444
Silent Valley Waste Disposal	(9)	(37)	(46)	28
Caldicot Town Council	(5)	(18)	(23)	-
Nantyglo & Blaina Town Council	(2)	(14)	(16)	8
Monmouth Town Council	(4)	(14)	(18)	5
Gwent Cremation Committee	(15)	(45)	(60)	95
Cwmbran Community Council	(11)	(59)	(70)	46
Pontypool Community Council	(8)	(67)	(75)	34
Tredegar Town Council	(2)	(12)	(14)	6
Rhymney Valley	-	-	-	1
Rogerstone Community Council	(7)	(26)	(33)	2
Bargoed Town Council	(1)	(2)	(3)	9
Portskewett Community Council	(1)	(2)	(3)	1
Shirenewton Community Council	-	(2)	(2)	-
Henllys Community Council	-	-	-	4
Magor with Undy Com Council	(4)	(20)	(24)	-
Langstone Community Council	(1)	(3)	(4)	-
Caerwent Community Council	(1)	(2)	(3)	-
Llanfoist Fawr Community Council	(1)	(2)	(3)	-
Croesyceiliog & LLanyrafon CC	(1)	(4)	(5)	19
Abergavenny TC	(3)	(9)	(12)	-
BTM Community Council	(1)	(4)	(5)	-
Abertillery & LLanhilleth CC	(2)	(6)	(8)	-
Shared Resource Service	(432)	(1,646)	(2,078)	262
Llanbradach & Pwll-y-pant CC	(1)	(2)	(3)	-
Vann Community Council	-	(2)	(2)	-
Rogiet Community Council	-	(2)	(2)	-
Former Scheduled Bodies				
Gwent County Council	-	-	-	10,067
Commission for New Towns	-	-	-	660

Pension Fund Accounts 2019/2020

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Deemed Bodies				
Islwyn Transport	-	-	-	192
Newport Transport	(7)	(200)	(207)	1,005
Admitted Bodies				
Big Pit	-	-	-	14
Melin Homes (formerly EVHA)	(109)	(754)	(863)	110
Careers Wales Gwent	(172)	(922)	(1,094)	710
Citizen Advice Bureau Caerphilly	(13)	(167)	(180)	69
Mitie (formerly Ballast)	-	(11)	(11)	12
CWVYS	-	(3)	(3)	21
Capita Gwent Consultancy	-	-	-	1,416
Hafod Care	(12)	(54)	(66)	296
Archives	(24)	(77)	(101)	110
Monitor	-	-	-	23
OCS Ex Monmouth CC	-	-	-	14
OCS Ex UWN	-	-	-	2
United Response	-	-	-	60
Monmouthshire HA	(338)	(957)	(1,295)	579
Bron Afon	(686)	(3,101)	(3,787)	2,331
Newport City Homes	(617)	(1,753)	(2,370)	661
Tai Calon	(403)	(1,434)	(1,837)	1,226
Manpower UK Ltd	-	-	-	3
DRIVE	(7)	(19)	(26)	6
Regent Ex Mon CC	-	-	-	8
Regent Ex Monmouth Cluster	-	-	-	3
Regent Ex Abergavenny Cluster	-	-	-	4
Regent Ex Chepstow Cluster	-	-	-	1
Vinci	(2)	(6)	(8)	1
Compass Catering Newport	(19)	(86)	(105)	191
Compass Catering St Albans	-	-	-	5
National Trust	(6)	(23)	(29)	16
Barnardo's	(1)	(2)	(3)	20
Education Achievement Service	(253)	(772)	(1,025)	282
Caterlink NCC Caerleon	-	-	-	6
Caterlink NCC Newport High	-	-	-	4
Churchill	(2)	(11)	(13)	7
Monwell Ltd	-	-	-	59
Torfaen Leisure Trust	(111)	(323)	(434)	58
Borough Theatre	-	-	-	5
NCS – Norse	(173)	(804)	(977)	147
NPS – Newport	-	(44)	(44)	26
Life Leisure	(210)	(644)	(854)	266
Newport Live	(239)	(583)	(822)	465
Alliance in Partnership	(1)	(3)	(4)	3
Glyncoed Catering	(1)	(9)	(10)	5
Radis	(59)	(211)	(270)	8
Totals	**(27,738)**	**(102,052)**	**(129,790)**	**123,185**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2018/19 £000		2019/20 £000
(6,280)	Individual transfers in from other schemes	(7,939)
(6,280)		**(7,939)**

9. BENEFITS PAYABLE

By category

2018/19 £000		2019/20 £000
67,422	Pensions - statutory	71,010
23,474	Pension increases	25,050
22,698	Commutation of pensions and lump sum retirement benefits	22,664
3,375	Lump sum death benefits	2,795
1,633	Additional allowances	1,666
118,602		**123,185**

By type of employer

2018/19 £000		2019/20 £000
16,209	Administering Authority	16,986
92,783	Scheduled Bodies	95,749
1,245	Deemed Bodies	1,197
8,365	Admitted Bodies	9,253
118,602		**123,185**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2018/19 £000		2019/20 £000
260	Contributions returned to employees	257
6	Payments in lieu of graduated pension contributions	15
-	Group transfers out to other schemes	-
7,576	Individual transfers out to other schemes	6,512
7,842		**6,784**

11. MANAGEMENT EXPENSES

Restated 2018/19 £000		2019/20 £000
1,216	Administrative costs	1,280
7,679	Investment management expenses	8,176
655	Oversight and governance costs	1,047
9,550		**10,503**

The breakdown for 2018/19 management expenses has been restated as the Wales Pension Partnership (WPP) depositary and custody fees had been incorrectly included in the Operator oversight and governance costs instead of being shown as a separate investment management expense. This change is also reflected in note 13b.

Oversight and governance costs have increased in 2019/20 as this includes a full year's fee for Link Fund Solutions as the FCA authorised Operator appointed by WPP and also reflects the transfer of assets to a second ACS during the year. These costs are expected to be outweighed by investment management savings once the Pool becomes established.

Oversight and governance costs have also increased due to the fees charged for the Actuarial Valuation that was carried out as at 31 March 2019 and the cost of transitioning UK equities into the WPP in September 2019.

a) Investment management expenses

Restated 2018/19 £000		2019/20 £000
6,219	Management fees	7,260
-	Performance related fees	358
166	Custody fees (including WPP)	200
1,294	Transaction costs	358
7,679		**8,176**

Management fees paid to investment managers are broadly based on the market value of the investments under their management. Estimated performance fees are accrued to the year in which out-performance was earned. Direct transaction costs have fallen following the transfer of segregated UK equities to the WPP ACS in September 2019.

In addition to these costs, indirect costs are incurred through the bid/offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 14a).

12. INVESTMENT INCOME

2018/19 £000		2019/20 £000
(22,569)	Income from equities	(11,823)
(2,664)	Pooled investments – unit trusts and other managed funds	(5,105)
(1,907)	Pooled property investments	(1,864)
(92)	Interest on cash deposits	(121)
(27,232)		**(18,913)**

The fall in income received from equities in 2019/20 reflects the transition of segregated UK equities into the WPP ACS in September 2019. Prior to this, dividend income from UK equities was payable to the Fund although this income was reinvested by the fund manager. Income is still received on UK equities but this is now reinvested within a pooled investment vehicle and increases the unit price of the ACS rather than the cash figure.

Income received by pooled investments has increased following a £25m additional investment in the Fidelity Multi Asset Income Fund in December 2019.

a) Other income

2018/19 £000		2019/20 £000
(4)	Miscellaneous income	(9)
(4)		**(9)**

13. OTHER FUND ACCOUNT DISCLOSURES

a) Taxes on income

2018/19 £000		2019/20 £000
21	Withholding tax - equities	29
21		**29**

b) Wales Pension Partnership

Restated 2018/19 £000		2019/20 £000
	WPP oversight and governance costs	
22	Operator fees	159
40	Set up and oversight costs	52
20	Host Authority costs	21
-	Transition costs (direct)	83
	WPP investment management expenses	
160	Fund management fees	1,840
23	Depositary and custody fees	115
265		**2,270**

The breakdown for 2018/19 expenses has been restated as the Wales Pension Partnership depositary and custody fees had been incorrectly included in the Operator fees instead of being shown as a separate investment management expense. This change is also reflected in note 11.

For further information on costs for the WPP please refer to the Asset Pooling section on page 21.

14. INVESTMENTS

Value at 31.03.19 bid price £000	Investment assets	Value at 31.03.20 bid price £000
433,228	Equities	-
2,396,290	Pooled investments	2,628,613
73,717	Pooled property investments	73,020
16,364	Cash deposits	17,370
3,983	Investment income due	627
2,923,582	**Total investment assets**	**2,719,630**
-	**Total investment liabilities**	**-**
2,923,582	**Net investment assets**	**2,719,630**

a) Reconciliation of movements in investments

Debtors and creditors arising as a result of investment management are included within 'other Investment balances'.

Period 2019/20	Market Value 31 March 2019 £000	Purchases during the year £000	Sales during the year £000	Change in value during the year £000	Market Value 31 March 2020 £000
Equities	**433,228**	75,752	(505,790)	(3,190)	**-**
Pooled investments	**2,396,290**	1,165,375	(714,100)	(218,952)	**2,628,613**
Pooled property investments	**73,717**	-	-	(697)	**73,020**
	2,903,235	1,241,127	(1,219,890)	(222,839)	**2,701,633**
Other investment balances:					
• Cash deposits	**16,364**			5,314	**17,370**
• Investment income due	**3,983**				**627**
Net investment assets	**2,923,582**	**1,241,127**	**(1,219,890)**	**(217,525)**	**2,719,630**

Period 2018/19	Market Value 31 March 2018 £000	Purchases during the year £000	Sales during the year £000	Change in value during the year £000	Market Value 31 March 2019 £000
Equities	**510,076**	227,462	(299,081)	(5,229)	**433,228**
Pooled investments	**2,181,429**	437,687	(343,385)	120,559	**2,396,290**
Pooled property investments	**71,374**	-	-	2,343	**73,717**
	2,762,879	665,149	(642,466)	117,673	**2,903,235**
Other investment balances:					
• Cash deposits	**19,099**			4,935	**16,364**
• Investment income due	**3,162**				**3,983**
Net investment assets	**2,785,140**	**665,149**	**(642,466)**	**122,608**	**2,923,582**

b) Analysis of investments

Major Asset Class	31 March 2019 £000 Bid Price		%	31 March 2020 £000 Bid Price		%
Segregated Equities						
UK						
Quoted	433,228	**433,228**	**14.8**	-	**-**	**-**
Unquoted Pooled funds – additional analysis						
UK						
Unit Trusts						
Gilt Fund	235,705			256,053		
Corporate Bond Fund	144,091	**379,796**	**13.0**	145,570	**401,623**	**14.8**
Unitised Insurance Policies						
UK Equities Fund	343,751	**343,751**	**11.8**	-	**-**	**-**
Other Managed Funds						
UK Equities Fund (WPP)	-			315,993		
M&G Limited Partnership	1,285	**1,285**	**-**	3	**315,996**	**11.6**
Overseas						
Unit Trusts						
Gilt Fund	7,290			13,477		
Corporate Bond Fund	104,341	**111,631**	**3.8**	109,816	**123,293**	**4.5**
Unitised Insurance Policies						
Low Carbon Tracker Equities Fund	-			590,631		
European Equities Fund	422,747			381,459		
US Equities Fund	285,085			-		
GARS Fund	64,612			65,892		
Global Targeted Returns Fund	64,701	**837,145**	**28.7**	65,970	**1,103,952**	**40.6**
Other Managed Funds						
Global Equities Fund (WPP)	359,817			342,702		
Far East Equities Fund	199,252			167,270		
Emerging Markets Equities Fund	81,411			73,400		
Multi Asset Income Fund	82,202	**722,682**	**24.7**	100,377	**683,749**	**25.2**
Unquoted Pooled Property Investments						
UK Pooled Property Funds	73,717	**73,717**	**2.5**	73,020	**73,020**	**2.7**
Cash Deposits						
Liquidity Funds/Cash at Fund Managers	8,592			1		
Cash on deposit with financial institutions	7,772	**16,364**	**0.6**	17,369	**17,370**	**0.6**
Other Investment Balances and Liabilities						
Other investment balances	3,983	**3,983**	**0.1**	627	**627**	**-**
Net Investment Assets	**2,923,582**	**2,923,582**	**100**	**2,719,630**	**2,719,630**	**100**

c) Investments analysed by fund manager

Fund Manager	% of total fund	Market value 31 March 2020 £000	Portfolios held (actively managed unless otherwise stated)
Russell Investments (WPP)	12.6	342,702	Global Opportunities Fund
	11.6	315,993	UK Opportunities Fund
Assets held by Wales Pension Partnership	**24.2**	**658,695**	
BlackRock	21.7	590,631	Low Carbon Tracker Equities Fund (Passive)
	14.0	381,459	European Equities Fund
	9.9	269,530	Gilt Fund
	9.4	255,386	Corporate Bond Fund
	-	1	Cash
Assets held by BlackRock	**55.0**	**1,497,007**	
Invesco Perpetual	6.2	167,270	Far East Equities Fund
	2.5	65,970	Global Targeted Returns Fund
Assets held by Invesco	**8.7**	**233,240**	
Fidelity Worldwide Investment	2.7	73,400	Emerging Markets Equities Fund
	3.7	100,377	Multi Asset Income Fund
Assets held by Fidelity	**6.4**	**173,777**	
Aberdeen Standard Investments	2.4	65,892	GARS Fund
Assets held by ASI	**2.4**	**65,892**	
Lazard Asset Management	-	97	Other Investment Balances
Assets held by Lazard	**-**	**97**	
Investment Fund Managers	**96.7**	**2,628,708**	
Torfaen County Borough Council	2.7	73,020	UK Pooled Property Funds
	0.6	17,369	Cash
	-	3	M&G Limited Partnership
	-	530	Other Investment Balances
Administering Authority	**3.3**	**90,922**	
Net Investment Assets	**100**	**2,719,630**	

d) Summary of investments analysed by fund manager

Market Value 31 March 2019 £000	%		Market Value 31 March 2020 £000	%
Investments managed by the Wales Pension Partnership:				
359,817	12.3	Wales Pension Partnership	658,695	24.2
359,817	**12.3**		**658,695**	**24.2**
Investments managed outside of the Wales Pension Partnership:				
1,543,011	52.9	BlackRock	1,497,007	55.0
263,953	9.0	Invesco Perpetual	233,240	8.7
163,613	5.6	Fidelity Worldwide Investment	173,777	6.4
64,612	2.2	Aberdeen Standard Investments	65,892	2.4
445,315	15.2	Lazard Asset Management	97	-
83,261	2.8	Administering Authority	90,922	3.3
2,563,765	**87.7**		**2,060,935**	**75.8**
2,923,582	**100**	**Net Investment Assets**	**2,719,630**	**100**

The following investments represent more than 5% of the net assets of the Fund. All of these companies are registered in the United Kingdom.

Security	Market value 31 March 2019 £000	% of total fund	Market value 31 March 2020 £000	% of total fund
BlackRock Low Carbon Tracker Equities Fund	-	-	590,631	21.7
Blackrock Ascent Life European Equity Fund	422,747	14.5	381,459	14.0
WPP Global Opportunities Fund	359,817	12.3	342,702	12.6
WPP UK Opportunities Fund	-	-	315,993	11.6
Blackrock Core Plus UK Gilt Fund	242,995	8.3	269,530	9.9
Blackrock Core Plus UK Corporate Bond Fund	248,432	8.5	255,386	9.4
Blackrock Aquila Life UK Equity Fund	343,751	11.8	-	-
Blackrock Aquila Life US Equity Fund	285,085	9.8	-	-
Invesco Perpetual Asian Equity Fund	199,252	6.8	167,270	6.2

15. FAIR VALUE – BASIS OF VALUATION

Investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments – unit trusts, unitised insurance policies, other managed funds and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Market data obtained from external, independent sources. Data could include quoted prices for similar assets and liabilities in active markets.	See note 5 page 67 Pooled property funds have added a material uncertainty clause to their March 2020 valuations due to the impact of Covid-19 on market conditions.
Limited Liability Partnerships	Level 3	The Company Financing Fund NAV is valued by the Partnership at amortised cost in accordance with IAS 39	Total value of portfolio of loans and cash balances Fund performance Future cash flow.	The Partnership assesses whether there is objective evidence that financial assets measured at amortised costs are impaired. If a loss event occurs after the initial recognition of the assets it can have an impact on the estimated future cash flow.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020. The Prudential/M&G UK Companies Financing Funds are awaiting official approval for termination as at the year-end.

	Assessed valuation range (+/-)	Value at 31 March 2020 £000	Value on increase £000	Value on decrease £000
Limited Liability Partnerships	7.2	3	3	3
Total		**3**	**3**	**3**

a) Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are the most straightforward to value as a liquid market exists for these securities. Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Segregated equities are classed as level 1 as they have readily observable prices and therefore a reliable fair market value with a regular "mark to market" mechanism for pricing. As a result of the transfer of segregated UK equities to the Wales Pension Partnership UK equity Authorised Contractual Scheme (ACS) in September 2019 the Fund does not hold any level 1 investments as at 31 March 2020.

Level 2

Level 2 assets are financial assets and liabilities that do not have regular market pricing, but whose fair value can be determined based on other data values or market prices. Level 2 is deemed the most appropriate classification where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. The pooled funds including the WPP ACS held by the Fund at the reporting date fall into this category as they are not exchange traded.

At the reporting date the unprecedented impact of the policy of Covid-19 containment on movement, economic activity and property markets, the scale of the uncertainty surrounding property pricing and valuations means that the pooled property fund prices should be viewed as less reliable than normal, so these valuations carry an uncertainty warning as at 31 March 2020.

Level 3

Assets and liabilities at level 3 are those deemed most difficult to value, where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Within the Fund's investments there are only two relatively minor investments that would seem to fit into this category. The investments in the Prudential/M&G UK Companies Financing Funds (Funds I and II) are in the form of Limited Liability Partnerships, a structure very similar to that employed by the vast majority of Private Equity Investments. The two UK Company Financing Funds are awaiting official approval for termination so the valuation as at 31 March 2020 is negligible. The value of the investment is based on the net asset value provided by the fund manager i.e. using information not available in the market.

With the exception of the above M&G investments, all of the Fund's investments therefore fall within the easy or moderately difficult to price levels 1 and 2.

The following tables provide an analysis of all the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable. This excludes cash deposits and other investment balances and liabilities.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2020	**Level 1** £000	**Level 2** £000	**Level 3** £000	**Total** £000
Financial assets at fair value through profit and loss	-	2,701,630	3	2,701,633
Net investment assets	**-**	**2,701,630**	**3**	**2,701,633**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2019	**Level 1** £000	**Level 2** £000	**Level 3** £000	**Total** £000
Financial assets at fair value through profit and loss	433,228	2,468,722	1,285	2,903,235
Net investment assets	**433,228**	**2,468,722**	**1,285**	**2,903,235**

b) Transfers between levels 1 and 2

£415m of segregated UK equities transferred from Level 1 to Level 2 in September 2019 as a result of an in-specie transfer into the Wales Pension Partnership ACS. The residual segregated UK equities were sold during Q4 2019 and £25m proceeds used to purchase additional units in the Level 2 Fidelity Multi Asset Income Fund in December 2019. All transfers between levels are recognised in the month in which they occur.

c) Reconciliation of fair value measurements within level 3

	Market value 31 March 2019 £000	Transfers into level 3 £000	Transfers out of level 3 £000	Purchases during the year £000	Sales during the year £000	Unrealised gains/(losses) £000	Realised gains/(losses) £000	Market value 31 March 2020 £000
Limited Liability Partnerships	1,285	-	-	-	-	(1,282)	-	3
	1,285	**-**	**-**	**-**	**-**	**(1,282)**	**-**	**3**

16. FINANCIAL INSTRUMENTS

a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	31 March 2019				31 March 2020	
£000	£000	£000		£000	£000	£000
			Financial Assets			
433,228			Equities	-		
2,396,290			Pooled investments	2,628,613		
73,717			Pooled property investments	73,020		
	16,364		Cash		17,370	
3,983			Other investment balances	627		
	11,453		Debtors		12,781	
			Financial liabilities			
		(6,059)	Creditors			(4,810)
2,907,218	**27,817**	**(6,059)**	**Total**	**2,702,260**	**30,151**	**(4,810)**

b) Net gains and losses on financial instruments

31 March 2019		31 March 2020
£000		£000
	Financial assets	
117,673	Fair value through profit and loss	(222,839)
-	Amortised cost – realised gains on derecognition of assets	-
4,935	Amortised cost – unrealised gains	5,314
	Financial liabilities	
-	Fair value through profit and loss	-
-	Amortised cost – realised losses on derecognition of assets	-
	Amortised cost – unrealised losses	
122,608	**Total**	**(217,525)**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Investment risk management across the Fund is therefore aimed to minimise the risk of an overall reduction in the value of the Fund whilst maximising the opportunity for gains across the whole portfolio.

Though within its investment strategy the Fund maintains positions in a variety of financial instruments, it aims to manage this primary overall risk by:-

a) asset diversification to reduce exposure to market risk (asset price risk, interest rate risk and currency risk);
b) managing its credit risk via appropriate selection, diversification and monitoring of its counterparties, and
c) managing its liquidity risk by ensuring there are sufficient liquid funds to meet member benefit commitments as they fall due.

The following provides some further detail in terms of the Pension Fund's general approach to managing risk; more detailed consideration of the above three types of risk and some indication of the potential sensitivity of the Fund's assets to these risks.

Overall procedures for managing risk

The principle powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require an Administering Authority to invest, in accordance with its investment strategy, any Pension Fund money that is not needed immediately to make payments from the Pension Fund. The unpredictability of financial markets means that all forms of investment carry a degree of risk. The Fund therefore needs to be risk aware within its investment strategy, implementation and monitoring to ensure it meets one of its primary objectives - to maximise the returns from its investments within reasonable risk parameters.

The Pension Fund prepares statutory documents detailing its investment strategy and how it implements and monitors this. The Fund's Investment Strategy Statement (ISS), specifically sets out the Fund's policy on the type of investments to be held; investment restrictions and limits; the balance and diversification between these and the detail of the Fund's investment management arrangements in implementing its strategy. The ISS also includes a specific section on how the Fund measures and manages the different types of risks it faces. This is analysed as required by investment regulations across the headings of Funding Risk; Asset Risks and Other Provider Risk. The following summary from the relevant section of the current ISS summarises how the Fund seeks to reduce these risks to a minimum where it is possible to do so without compromising returns:

Funding risks

- Financial mismatch - The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics - The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Fund manages these Funding risks by:-

- Setting a strategic asset allocation benchmark that takes into account asset liability modelling focused on probability of success and level of downside risk.

- Assessing risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to this.
- Seeking to understand the assumptions used in any analysis and modelling (including that relating to the demographics of its liabilities) so they can be compared to the Fund's own views and the level of risks associated with these assumptions.
- Seeking to mitigate systemic risk through a diversified portfolio.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk - The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance ('ESG') - The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Fund measures and manages these Asset risks by:-

- Setting a strategic asset allocation benchmark that ensures investment in a diversified range of asset classes. Regular monitoring and review of this allocation ensures that the Fund's 'actual allocation' does not deviate substantially from its target.
- Investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.
- Investing across a range of assets, including liquid quoted equities and bonds, as well as property, and recognising the need for access to liquidity in the short term.
- Investing in a range of overseas markets which provides a diversified approach to currency markets.
- Documenting within the ISS its approach to managing ESG risks.
- Considering the risk of underperformance by any single investment manager and attempting to reduce this risk by appointing more than one manager and, where market conditions are deemed supportive, having a proportion of the Scheme's assets managed on a passive basis.
- Formally assessing the Fund's managers' performance on a quarterly basis, and taking steps, including potentially replacing managers, if underperformance persists.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Fund seeks suitable professional advice.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Stock-lending - The possibility of default and loss of economic rights to Fund assets.

The Fund measures and manages these Other Provider risks by:-

- Monitoring and managing these risks through a process of regular scrutiny of its providers
- Audit of the operations the provider conducts for the Fund, or the delegation of such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).
- Retaining the power to replace a provider should serious concerns exist.

The full version of the Investment Strategy Statement is available on the Pension Fund's website www.gwentpensionfund.co.uk.

a) Market risk

Market risk is the risk of loss from the fluctuations in the price of financial instruments e.g. equities and bonds; interest rates; and foreign currency exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings.

The Pension Fund's funding position is sensitive to market price changes on two levels. Changes in the market price of investments such as equities, affect the net assets available to fund promised member benefits. Changes in the yields (and thus price) of bonds, as well as affecting asset values, also affect the value placed on the Pension Fund's liabilities within its overall funding calculations. To give an indication of scale, the change in the market value of the Pension Fund's net investment assets during the year was a decrease of £204 million.

The Fund's investment strategy requires it to maximise the returns from its investments within reasonable risk parameters and, to achieve the level of investment return required, the strategy requires a significant level of equity investment. Though it is recognised that the risk levels (price volatility) will be greater for equities than bonds, the strategy recognises the longer term belief that equities will out-perform bond holdings. The Fund does however take steps to manage this market risk as noted below:-

- LGPS investment regulations set restrictions on the type of investments funds can hold. The statutory Investment Strategy Statement (ISS) requires each fund to implement its own prudential framework, requiring a diversified prudent approach to managing market risk.
- The Fund has a diversified strategic asset allocation which is monitored to ensure the diversification levels are within acceptable tolerances of the strategy and the reasons for any deviation understood.
- The asset allocation is designed to diversify risk and minimise the impact of poor market performance in a particular asset class.
- The Fund's investment portfolio is further diversified by geographical region; investment manager; manager style etc. to further optimise the diversification of both return and risk.
- The Fund's ISS also defines the limits/parameters that the Fund can hold in any one security and the Fund's investment managers monitor their portfolio daily to ensure that these limits, designed to further minimise market risk, are not breached.

The above provides a general overview of the potential impact of market risk and how the Fund looks to manage these risks. The following sections provide some further detail of this across the 3 principal areas of market risk – asset price, interest rates and currency.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to direct equity (share) price risk via its segregated UK equity holdings together with indirect UK/Overseas share and bond price risk within its pooled fund holdings. The risks arise from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The selection of investments is controlled and monitored by the council relative to limits specified by the Fund's investment strategy and the Fund's investment managers further mitigate this risk through diversification and by investing in line with the confines of the Fund's Investment Strategy Statement.

Other price risk – sensitivity analysis

In consultation with its actuary, the Fund has determined that the following movements in market price risk are reasonably possible for 2020/21, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type	Potential 1 Year market movement (+/-)
UK equities	27.45%
Overseas equities	27.96%
Government bonds	7.57%
Corporate bonds	9.83%
Pooled property investments	14.22%
Alternative investments (absolute return)	13.84%
Alternative investments (direct lending)	7.16%
Cash/investment income due	0.32%

The potential price changes disclosed above are consistent with the assumptions contained in advisors' most recent review. The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory. It however disregards any long term investment value appreciation from the assets noted. To provide some context to this, the Fund actuary's recent view on long term positive performance assumptions of the various asset classes in which the Fund invests are noted within the table below:

Asset type	Long term performance assumptions (20 years) p.a. (+)
UK Equities	5.2%
Overseas Equities	5.3%
Government bonds (medium term)	0.2%
Corporate bonds (medium term)	1.3%
Property investments	3.6%

Ignoring the potential for long term positive performance, however, and considering potential market price changes (volatility) only, should the market price of the Fund investments increase/decrease in line with the potential market movements noted above, the change in the net assets available to pay benefits would be as shown in the table below. The prior year comparators using the applicable 2019/20 volatility assumptions are also shown below. The Fund has used the services of its actuary to calculate the potential sensitivity levels within this section of the accounts.

Asset type	Value as at 31 March 2020 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash and cash equivalents	**17,370**	**0.32**	**17,426**	**17,314**
Investment portfolio assets:				
UK equities	315,993	27.45	402,733	229,253
Overseas equities	1,555,462	27.96	1,990,369	1,120,555
Government bonds	269,530	7.57	289,933	249,127
Corporate bonds	255,386	9.83	280,490	230,282
Pooled property investments	73,020	14.22	83,403	62,637
Alternative investments (absolute return)	232,239	13.84	264,381	200,097
Alternative investments (direct lending)	3	7.16	3	3
Investment income due	627	0.32	629	625
Total assets available to pay benefits	**2,719,630**	**18.62**	**3,226,025**	**2,213,235**

Asset type	Value as at 31 March 2019 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash and cash equivalents	**16,364**	**0.55**	**16,454**	**16,274**
Investment portfolio assets:				
UK equities	776,979	16.63	906,191	647,767
Overseas equities	1,348,312	16.92	1,576,446	1,120,178
Government bonds	242,995	9.72	266,614	219,376
Corporate bonds	248,432	10.50	274,517	222,347
Pooled property investments	73,717	14.33	84,281	63,153
Alternative investments (absolute return)	211,515	12.52	237,997	185,033
Alternative investments (direct lending)	1,285	5.90	1,361	1,209
Investment income due	3,983	0.55	4,005	3,961
Total assets available to pay benefits	**2,923,582**	**11.90***	**3,271,488**	**2,575,676**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate movements and direction are routinely monitored by the council and its investment advisors as part of its overall investment monitoring processes. Though the analysis below examines the Fund's direct exposure to interest rate risk it is also recognised that there is additionally an element of indirect interest rate risk associated with other Fund investments (such as Bond investments). The risks to these investments as a result of potential interest rate movements are also considered by the Fund's investment managers who apply active management techniques and processes to minimise these risks.

The Fund direct exposure to interest rate movements for the last two financial years is set out in the following table:

Asset type	As at 31 March 2019 £000s	As at 31 March 2020 £000s
Cash on deposit with financial institutions	7,772	17,369
Cash held by Managers	8,592	1
Bonds	491,427	524,916
Total	**507,791**	**542,286**

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Changes in interest rates do not impact on the value of cash held but they will affect the interest income received on those balances. An increase in the interest rates results in a decrease in the value of the bond portfolio and vice versa.

Exposure to interest rate risk	Value as at 31 March 2020 £000	Impact of increase +1% £000	Impact of decrease -1% £000
Cash on deposit with financial institutions	17,369	17,369	17,369
Cash held by Managers	1	1	1
Government Bonds	269,530	266,835	272,225
Corporate Bonds	255,386	252,832	257,940
Total change in assets available	**542,286**	**537,037**	**547,535**

Exposure to interest rate risk	Value as at 31 March 2019 £000	Impact of increase +1% £000	Impact of decrease -1% £000
Cash on deposit with financial institutions	7,772	7,772	7,772
Cash held by Managers	8,592	8,592	8,592
Government Bonds	242,995	240,565	245,425
Corporate Bonds	248,432	245,948	250,916
Total change in assets available	**507,791**	**502,877**	**512,705**

Exposure to interest rate risk	Interest receivable 2019/20 £000	Value on increase +1% £000	Value on decrease -1% £000
Cash on deposit with financial institutions	108	109	107
Cash held by Managers	13	13	13
Bonds	-	-	-
Total change in assets available	**121**	**122**	**120**

Exposure to interest rate risk	Interest receivable 2018/19 £000	Value on increase +1% £000	Value on decrease -1% £000
Cash on deposit with financial institutions	89	90	88
Cash held by Managers	3	3	3
Bonds	-	-	-
Total change in assets available	**92**	**93**	**91**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

The Pension Fund's investments in overseas assets are all held in sterling denominated pooled vehicles. This means that the Fund does not have any directly held investments in overseas currency. The Fund does hold, from time to time, a number of small foreign currencies balances held to facilitate trading but these are not deemed material.

In terms of indirect, sterling denominated pooled funds therefore, the following table summarises the value of the Fund's potential underlying currency exposure for the last two financial years. In terms of currency risk however it is important to note that the Fund's investments are diversified across all of the world's major markets and currencies and, as one currency may fall in value, another will increase. This fact in itself is seen as a major element of intrinsic risk control within the Fund's overseas investments.

Assets exposed to currency risk	**Value as at 31 March 2019** £000	**Value as at 31 March 2020** £000
Overseas equities	1,348,312	1,555,462
Overseas government bonds	7,290	13,477
Overseas corporate bonds	104,341	109,816
Global Absolute Return Strategies Fund (GARS)	64,612	65,892
Global Targeted Returns Fund	64,701	65,970
Multi Asset Income Fund	82,202	100,377
Total overseas assets	**1,671,458**	**1,910,994**

Currency risk sensitivity analysis

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	**Asset value as at 31 March 2020** £000	**Potential change in exchange rates** %	**Value on increase** £000	**Value on decrease** £000
Overseas equities	1,555,462	10.0	1,711,008	1,399,916
Overseas government bonds	13,477	10.0	14,825	12,129
Overseas corporate bonds	109,816	10.0	120,798	98,834
GARS Fund	65,892	10.0	72,481	59,303
Global Targeted Returns Fund	65,970	10.0	72,567	59,373
Multi Asset Income Fund	100,377	10.0	110,415	90,339
Total change in assets available	**1,910,994**	**10.0**	**2,102,094**	**1,719,894**

Assets exposed to currency risk	**Asset value as at 31 March 2019** £000	**Potential change in exchange rates** %	**Value on increase** £000	**Value on decrease** £000
Overseas equities	1,348,312	10.0	1,483,143	1,213,480
Overseas government bonds	7,290	10.0	8,019	6,561
Overseas corporate bonds	104,341	10.0	114,776	93,907
GARS Fund	64,612	10.0	71,073	58,151
Global Targeted Returns Fund	64,701	10.0	71,171	58,231
Multi Asset Income Fund	82,202	10.0	90,422	73,982
Total change in assets available	**1,671,458**	**10.0**	**1,838,604**	**1,504,312**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets. In essence therefore the Fund's entire investment portfolio is exposed to some form of credit risk. However applying the principles of diversification across the portfolio together with the selection of high quality investment managers, counterparties, brokers and financial institutions minimises the credit risk that may occur through the failure to settle a transaction in a timely manner. The Pension Fund reviews its exposure to its investment manager, credit and counterparty risk by the review of the managers' annual internal control reports. These documents are themselves subject to independent review by the investment managers' own appointed auditors to help provide assurance that managers exercise reasonable care and due diligence in its activities for the Pension Fund, such as in the selection and use of brokers.

The most tangible element of credit risk faced by the Fund is however in the form of its cash investments placed with banks and other financial institutions. These investments are managed in-house and, in order to minimise the credit risk in respect of these investments, a specific Cash Management Strategy is annually put before the Pensions Committee for their consideration and approval followed by regular review.

The Pension Fund's Cash Management Strategy sets out the type and minimum acceptable criteria for investments; the institutions with which they can be placed; the maximum value that can be placed with each institution and the maximum period for which money can be invested. The strategy references and details the Fund's processes and procedures in terms of its cash management and how specialist external advice is used within the process. In terms of this external advice then the Pension Fund utilises the services of Arlingclose for formulating and monitoring the Fund's list of approved counterparties. Arlingclose use a comprehensive method of assessing counterparty's credit ratings which includes overlaying the three credit rating agencies' scores with additional data, relative to each institution, such as rating watches and CDS spreads where available to advise of a maximum suggested investment period with that counterparty.

The Fund believes that it has, through a continuing difficult period for financial markets and institutions, adequately managed its exposure to credit risk. The Fund has experienced no defaults from fund managers, brokers or bank accounts. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £17.4 million (31 March 2019 was £7.8 million) and this was held with institutions as follows:

Cash on deposit with financial institutions	**Rating (Fitch Long Term)** (at 31 March 2020)	**Balances as at 31 March 2019** £000	**Balances as at 31 March 2020** £000
Money Market Funds			
Aberdeen Liquidity	AAA	-	14,000
Invesco Perpetual	AAA	6,000	2,500
Blackrock Inst	AAA	1,000	-
Bank Current Accounts			
TCBC Pension Fund		772	869
Total		**7,772**	**17,369**

c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The main risk for the pension fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this risk, the Fund monitors its cash flow to ensure that cash is available when needed.

The Fund further manages its liquidity risk by maintaining its cash investments within money market funds allowing same day access to cash deposited without penalty. Indeed, at 31 March 2020, all pension fund cash balances were spread across such immediate access accounts.

The Fund still retains the option to invest within fixed term deposits but, in accordance with the cash management strategy, these must currently be of maximum 6 months duration and placed with UK banks. At any point in time the whole of the Fund's cash investments can therefore be deemed to be reasonably liquid in that they could be 100% redeemed within a six month period if required.

In practice, however, the vast majority of cash deposits will be available to a much shorter timescale, as demonstrated at the year-end when all cash deposits were immediately available should this have been required. The Fund monitors and manages the timing of its cash flows on both an operational and a longer term strategic basis. The strategic profile of the Fund continues to show that the Fund's cash flow is broadly positive with contributions (including dividend income) being received exceeding the value of benefits paid out. This excess is diminishing year on year, but continues to be appropriately monitored in a strategic sense. With the Fund remaining broadly cash generative the Fund has again been comfortable (documented via its cash management strategy) to allow cash levels to float around or below a 1% level during the 2019/20 financial year.

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. Both the Fund and its managers are however aware of the very low interest rates available on cash deposits and therefore the desire is to be as fully invested as possible in higher yielding assets whilst ensuring adequate liquidity to meet cash commitments when they fall due.

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

18. FUNDING ARRANGEMENTS

18.1 In line with the Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period.

The key elements of the funding policy are:

1) to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2) to ensure that employer contribution rates are as stable as possible
3) to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
4) to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so and
5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

18.2 The Fund, through its governance arrangements and discussion with the appointed Actuary, produce a Funding Strategy Statement which focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities.

18.3 The Actuarial valuation that affected these accounts was carried out as at 31 March 2016. That valuation showed that the employers would need to pay different contributions to the Fund from 1 April 2017 until 31 March 2020. The primary contribution rate is 18.5% of pensionable pay. Individual employer rates vary from the common rate depending on demographic and actuarial factors particular to each employer. Members' contribution rates range from 5.5% to 12.5% depending on their salary.

18.4 The contribution rates for the unitary councils with effect from 1 April 2019 are as follows:-

Blaenau Gwent	Greater of a) 18.1% plus £2,232,000or b) 23.5%
Caerphilly	Greater of a) 18.4% plus £3,241,000 or b) 21.5%
Monmouth	Greater of a) 18.6% plus £1,947,000 or b) 23.1%
Newport	Greater of a) 18.1% plus £1,942,000 or b) 21.2%
Torfaen	Greater of a) 18.3% plus £2,651,000 or b) 23.2%

Full details of the contribution rates payable can be found in the 2016 Actuarial Valuation report and the Funding Strategy Statement in the 'Funding' section on the Fund's website:
http://gwentpensionfund.co.uk/greater-gwent-torfaen-pension-fund/about-us/forms-and-publications

These rates of contribution are the rates which, in addition to the contributions paid by the members, are sufficient to meet:

- 100% of the pension liabilities, plus;
- an adjustment over a long period to reflect the shortfall in our share of the Fund's assets and future pay increases.

18.5 The market value of the Fund's assets at the 2016 valuation was £2,210million. At the valuation date, the Fund's liabilities exceeded the assets by £850million giving a revised funding level of 72% (the funding level at the 2013 valuation was 71%). The funding deficit had however increased in monetary terms. Despite an improved funding position, the main reason for the increase in the cash deficit was the result of changes in financial assumptions, such as discount rates which increased the future liabilities for the Fund, together with interest accrued on the existing deficit. This was offset by mortality and longevity improvements and investment returns greater than expected.

18.6 A new Actuarial Valuation was carried out as at 31 March 2019 and the resulting changes to contribution rates will apply from 1 April 2020. The market value of the Fund's assets as at the 2019 valuation was £2,929million. At the valuation date, the Fund's liabilities exceeded the assets by £478million giving a revised funding level of 86% (the funding level at the 2016 valuation was 72%) and the funding deficit declined in monetary terms. The main reason for the improvement in the funding position was the positive investment returns during the period.

18.7 The previous Actuary used the Projected Unit method at the last valuation, but the current Actuary (Hymans Robertson) has used a Risk Based Method for this valuation. For the majority of employers the contribution rates which apply are based upon recovery of the deficit over a maximum period of 20 years. Another revaluation of the Fund will take place as at 31 March 2022.

18.8 The financial assumptions adopted by the Actuaries were as follows:-

	Funding Target	
	2016	**2019**
Discount Rate	4.0%	4.0%
Pensionable pay increases	2.6%	2.6%
Pension increases	2.1%	2.3%

18.9 The demographic assumptions employed by the Actuaries were complicated and dealt with rates of withdrawal from the scheme, mortality for both active and retired members and commutations. Further details can be found in the both of the full Actuarial Valuation report that can be found on the Pension Fund's website:-

https://gwentpensionfund.co.uk/media/5412/valuation-report-march-2016.pdf

https://gwentpensionfund.co.uk/media/5312/valuation-report-march-2019.pdf

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

19.1 The Code requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS19 rather than the assumptions and methodology used for funding purposes. To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Discount Rate (Return on investments)	2.4% per annum	2.3% per annum
Rate of Salary increases	2.9% per annum	2.2% per annum
Rate of increase in pensions	2.5% per annum	1.9% per annum

19.2 The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020:-

https://www.gwentpensionfund.co.uk/media/5312/valuation-report-march-2019.pdf

19.3 During the year bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.3% p.a. versus 2.4% p.a.). The expected long-term rate of CPI inflation (RPI-CPI gap) has also decreased during the year, resulting in the assumption for pension increases also lowering (1.9% p.a. verses 2.5% p.a.).

19.4 The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2019 was estimated as £5,186million. As a result of the updates on the McCloud position the Fund's IAS26 position was revised in July 2019 and it resulted in an increase taking it to £5,204million. The impact of the changes in financial assumptions between 31 March 2019 and 31 March 2020 as described above is to decrease the liabilities by £480million. There are further changes in demographic and longevity assumptions, which have also decreased the liability by £201million. Other experiences changes such as membership changes between the 2016 and 2019 formal triennial valuations (which we can only allow for triennially), adding interest over the year and allowing for net benefits accrued/paid over the period has decreased the liabilities by a further £6million.

19.5 The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £4,517million.

20. CURRENT ASSETS

31 March 2019 £000		31 March 2020 £000
	Short term debtors	
2,076	Contributions due - employees	2,269
7,296	Contributions due - employers	7,969
9,372		10,238
794	Group transfer value receivable (joiners)	397
857	Early retirement costs	1,354
260	Fund manager fee rebates	280
170	Sundry debtors	512
11,453		**12,781**

a) Funding of early retirement costs

During 2019/20 the cost to the Pension Fund of early retirements arising in that year was £4,507,347 which is paid by the employers in instalments over periods of up to five years.

The cost includes the extra years of pension payments as a result of employees retiring early. The cost of early retirements is worked out by specialist computer software, and is recovered from the respective employers. The actuary has reflected this approach in the contribution levels.

The amounts included within the accounts are the instalments that are due in 2019/20 and in future financial years for early retirements known as at 31 March 2020. These are summarised in the following table:-

	£000	£000
Instalments falling due in 2019/20 in respect of:		
Prior Years	297	
Current Year	3,791	4,088
Balances b/f 1 April 2019	857	
Payments Received in 2019/20	(4,135)	
Reversal of previous instalments due	(648)	(3,926)
Instalments due for 2020/21	411	
Instalments due for 2021/22 & later years	781	1,192
2019/20 Debtor		**1,354**

The instalments due for 2019/20 and future years have been included in accordance with the guidance notes issued with the Code of Practice on Local Authority Accounting 2019/20.

21. CURRENT LIABILITIES

31 March 2019 £000		31 March 2020 £000
(3,926)	Benefits payable	(2,782)
(1,716)	Investment management expenses	(1,781)
(417)	Sundry creditors	(247)
(6,059)		**(4,810)**

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

22.1 Members of the Pension Fund may pay additional voluntary contributions (AVCs) in order to obtain improved benefits on retirement. Torfaen County Borough Council is prevented by regulations from consolidating the amounts of AVC investments into the published Pension Fund accounts. However, as the administering authority we oversee the following AVC arrangements.

Market value 31 March 2019 £000		Market value 31 March 2020 £000
	AVC provider	
3,938	Standard Life	3,625
1,616	Clerical Medical	1,385
859	Utmost Life and Pensions (previously Equitable Life)	812
6,413		**5,822**

Contribution Received 31 March 2019 £000		Contribution Received 31 March 2020 £000
	AVC provider	
472	Standard Life	428
196	Clerical Medical	196
1	Utmost Life and Pensions (previously Equitable Life)	1
669		**625**

The above AVC investments are excluded from the financial statements of the Greater Gwent (Torfaen) Pension Fund in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

23. AGENCY SERVICES

23.1 The Pension team make the following payments in respect of unfunded pensions benefits and unfunded teachers benefits. These payments relate to additional benefits granted to employees on retirement by their employer, and are recovered from the employer.

31 March 2019 £000		31 March 2020 £000
	Payments on behalf of:-	
9	Central Government	9
8,741	Other Local Authorities	8,747
22	Other entities and individuals	22
8,772		**8,778**

24. RELATED PARTY TRANSACTIONS

24.1 In the course of fulfilling its role as administering authority to the Fund, Torfaen CBC provided services to the Fund. Costs are normally in respect of those staff employed in ensuring the pension service is delivered and are included in the accounts within management expenses (Note 11, page 72). Related parties to the Pension Fund include all employers within the Fund and members of the Torfaen Pensions Committee. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party.

24.2 **Governance**

Five members of the Pension Fund Committee are active members of the Pension Fund, with one of those members also being in receipt of a pension. Each member of the Pension Committee is required to declare their interest at each meeting.

24.3 **Key management personnel**

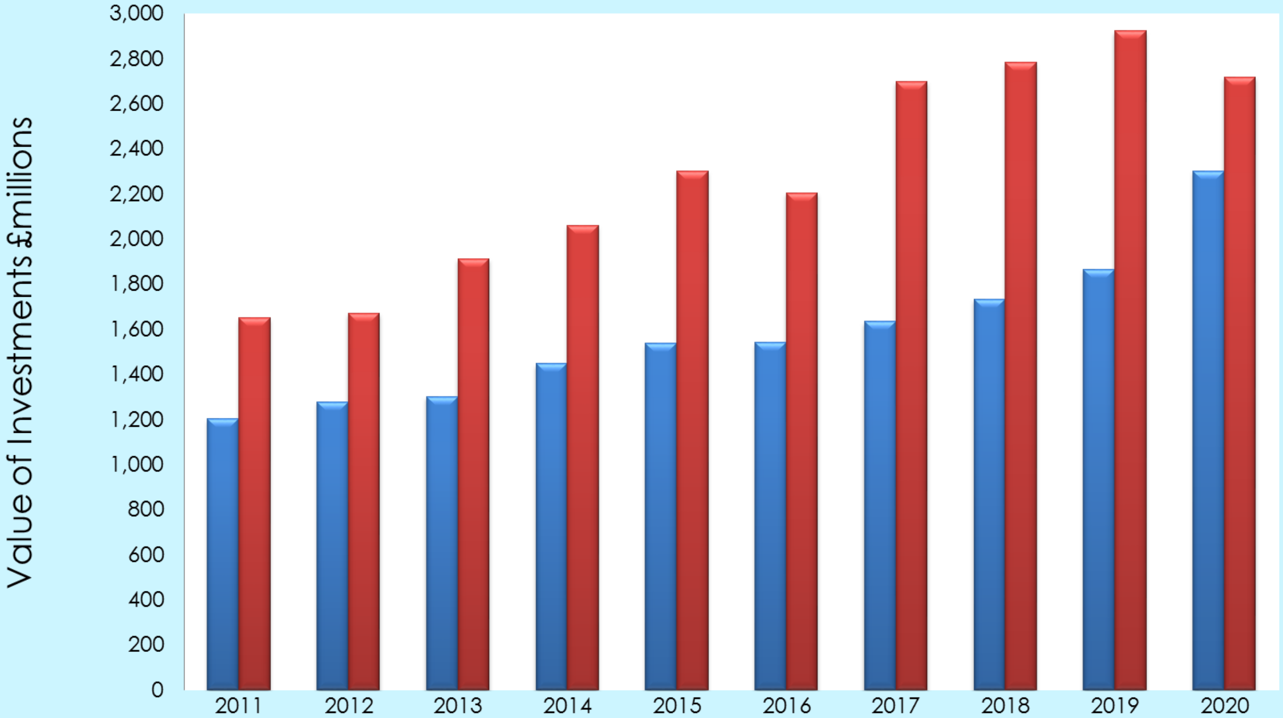
There are two employees of Torfaen CBC who hold key positions in the financial management of the Fund. They are the Assistant Chief Executive (Resources) and the Head of Pensions. Their time allocated to the management of the Fund is 5% and 100% respectively. Total remuneration payable for 2018/19 and 2019/20 is set out below for their time apportioned to the Fund.

31 March 2019 £000		31 March 2020 £000
52	Short-term benefits	59
118	Post-employment benefits	(138)
-	Termination Benefits	-
170		**(79)**

Appendices

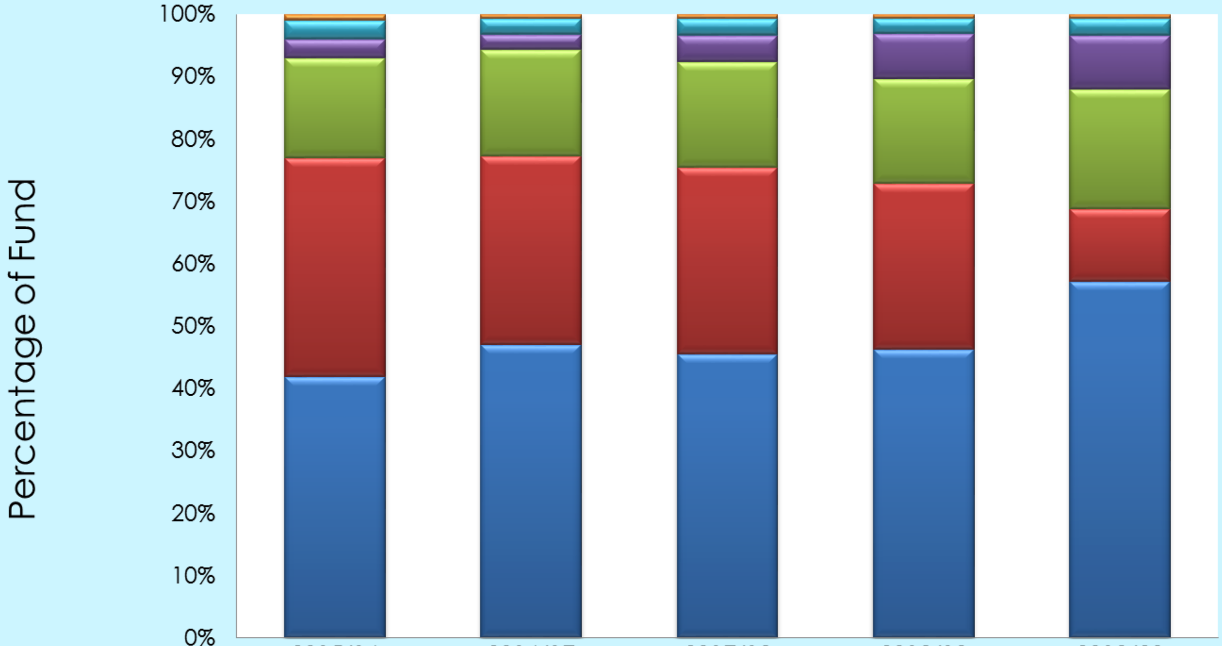
Appendix 1

Ten Year Valuation of Investments



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Book Cost	1,204	1,280	1,303	1,449	1,539	1,541	1,636	1,735	1,868	2,303
Market Value	1,650	1,673	1,915	2,062	2,303	2,206	2,700	2,785	2,924	2,720

Tactical Asset Allocation



	2015/16	2016/17	2017/18	2018/19	2019/20
Cash	1	1	1	1	1
Pooled Property Funds	3	3	3	3	3
Alternatives	3	2	4	7	9
Fixed Interest	16	17	17	17	19
UK Equities	35	30	30	27	12
Overseas Equities	42	47	45	46	57

Ten Year Summary of Statistics

Revenue Account	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Contributions	110,304	101,652	101,028	109,666	104,655	103,450	107,205	114,118	118,047	129,790
Transfer Values Received	7,265	7,824	4,942	7,946	5,318	9,277	5,573	5,704	6,280	7,939
Investment Income and Other	17,099	21,448	20,659	26,095	20,800	17,772	19,283	21,318	27,215	18,893
Total Income	**134,668**	**130,924**	**126,629**	**143,707**	**130,773**	**130,499**	**132,061**	**141,140**	**151,542**	**156,622**
Pensions and Other Benefits	81,491	84,538	88,856	95,175	102,179	109,229	108,881	111,419	118,602	123,185
Transfer Values Paid	8,512	22,965	6,303	3,177	49,692	9,377	7,138	7,553	7,576	6,512
Refunds of Contributions	5	2	5	8	149	239	248	250	266	272
Fees and Other	5,810	6,032	6,642	8,709	9,403	9,205	8,933	9,366	9,550	10,503
Total Expenditure	**95,818**	**113,537**	**101,806**	**107,069**	**161,423**	**128,050**	**125,200**	**128,588**	**135,994**	**140,472**
Net Surplus for Year	38,850	17,387	24,823	36,638	(30,650)	2,449	6,861	12,552	15,548	16,150
Net Profit/(Loss) on Sale of Investments	20,631	40,620	14,317	119,325	75,822	30,736	99,726	80,416	117,298	421,489
Unrealised Change in Market Value	89,520	(52,621)	218,496	1,124	150,940	(99,529)	387,623	(1,776)	5,310	(639,014)
Increase/(Decrease) in the Fund	**149,001**	**5,386**	**257,636**	**157,087**	**196,112**	**(66,344)**	**494,210**	**91,192**	**138,156**	**(201,375)**

Investment Assets	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Book Cost at 31 March	1,203,604	1,279,958	1,302,617	1,449,212	1,538,838	1,540,889	1,635,895	1,734,570	1,867,699	2,302,779
Market Value at 31 March	1,649,900	1,673,634	1,914,788	2,062,483	2,303,073	2,205,596	2,700,194	2,785,140	2,923,582	2,719,630

Membership										
Contributors	21,196	20,550	20,582	22,435	22,880	23,607	22,788	23,991	23,932	24,200
Pensioners	13,576	13,910	14,296	14,820	15,204	15,816	16,388	16,848	17,533	18,299
Number of Preserved Benefits	11,378	12,189	13,180	14,359	15,153	16,058	18,068	18,455	18,749	18,621
Total	**46,150**	**46,649**	**48,058**	**51,614**	**53,237**	**55,481**	**57,244**	**59,294**	**60,214**	**61,120**