

CITY & COUNTY OF SWANSEA PENSION FUND

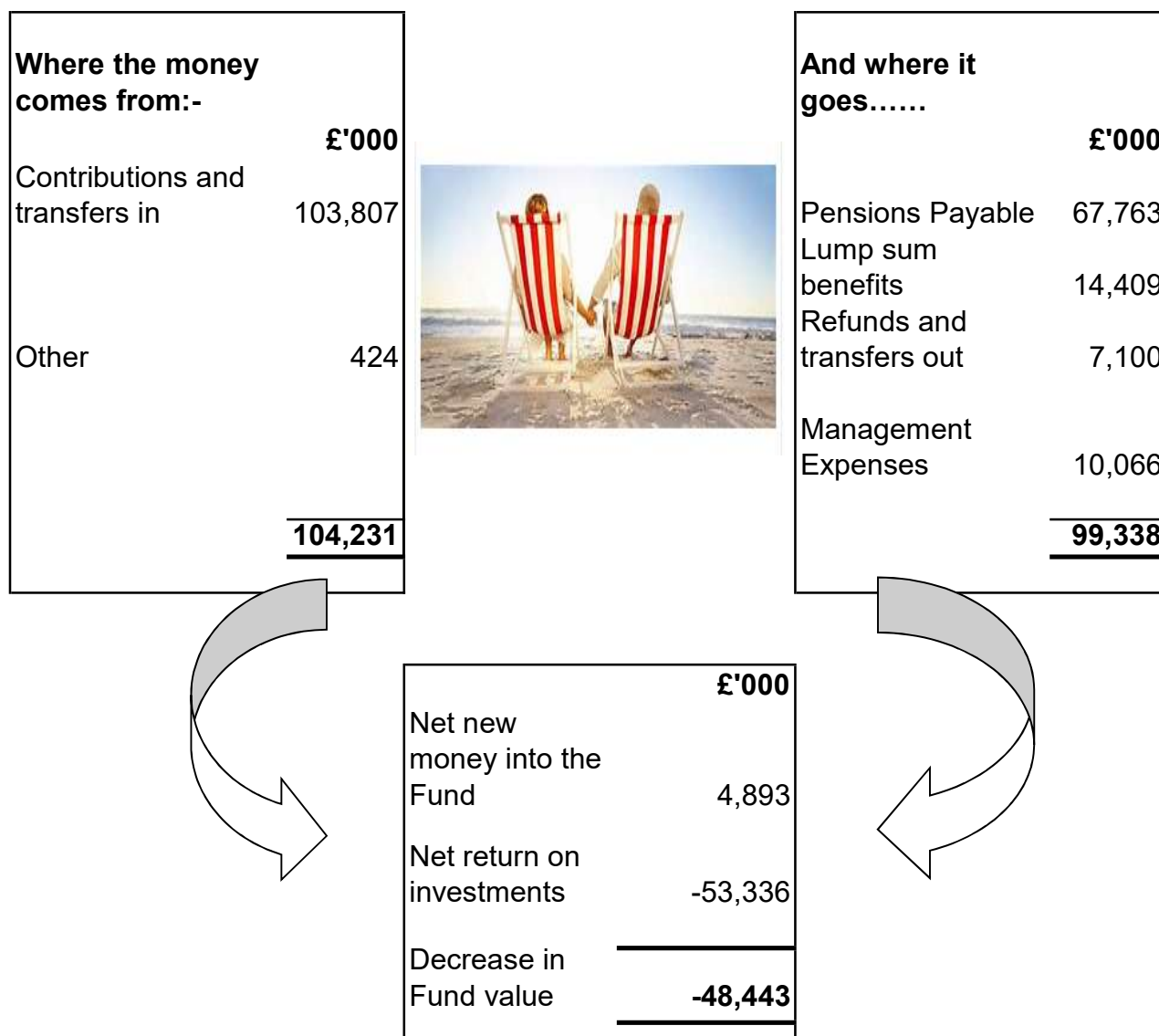
1. Introduction

The City & County of Swansea Pension Fund is administered by the City & County of Swansea. However it is a separate statutory fund and its assets and liabilities, income and expenditure are not consolidated into the accounts of the Authority. That is, the Pensions Fund's assets and liabilities are distinct.

The summarised accounts of the Pension Fund shown here comprise three main elements:-

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31st March 2020.
- The Notes to The Financial Statements which are designed to provide further explanation of some of the figures in the statement and to give a further understanding of the nature of the fund.

2 Summary of transactions for the year



CITY & COUNTY OF SWANSEA PENSION FUND

Chief Financial Officers Certificate and Statement of Responsibilities for the Financial Statements of the City and County of Swansea Pension Fund.

I hereby certify that the Financial Statements presents a true and fair view of the financial position of the City and County of Swansea Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2020.

Ben Smith
Chief Finance Officer

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of the City and County of Swansea Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Chief Financial Officer
- Manage the affairs of the City and County of Swansea Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Financial Statements.

The Chief Finance Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the City and County of Swansea Pension Fund's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

In preparing these financial statements, the Chief Finance Officer has:

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

The Chief Financial Officer has also:

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

Date of Authorisation for Issue

The 2019/20 Financial Statements were authorised for issue on **xxxxx** 2020 by Ben Smith, Chief Finance Officer who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

The 2019/20 Financial Statements were formally approved by Pension Fund Committee on **xxxxxx** 2020.

Clive Lloyd
Chairman

The Report of the Auditor General for Wales to the members of the City and County of Swansea as administering authority for City and County of Swansea Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of City and County of Swansea Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004. The City & County of Swansea Pension Fund's 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 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.

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 City & County of Swansea Pension Fund 2019-20 Financial Statements. The other information comprises the information included in the Introduction and Appendices 1 to 5 of the financial statements. 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 :

- for information contained in the Introduction and Appendices 1-5 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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 the 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, 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

24 Cathedral Road
Cardiff
CF11 9LJ

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

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account For The Year Ended 31st March

2018/19 £'000	Contributions and benefits	Notes	2019/20 £'000	£'000
	Contributions receivable :			
74,944	Employers contribution	3	80,425	
18,456	Members contribution	3	19,276	99,701
5,037	Transfers in	4		4,106
374	Other income	5		424
98,811				104,231
	Benefits payable :			
-65,016	Pensions payable	6	-67,763	
-17,063	Lump sum benefits	6	-14,409	-82,172
	Payments to and on account of leavers :			
-183	Refunds of contributions	7	-166	
-6,136	Transfers out	7	-6,934	-7,100
-11,759	Management Expenses	8		-10,066
-1,346	Net additions from dealing with members			4,893
	Returns on investments			
31,229	Investment income	9		8,482
97,645	Change in market value of investments	12		-61,818
128,874	Net returns on investments			-53,336
127,528	Net Decrease in the fund during the year			-48,443
1,916,510	Opening Net Assets of the Fund			2,044,038
2,044,038	Closing Net Assets of the Fund			1,995,595

CITY & COUNTY OF SWANSEA PENSION FUND

Net Assets Statement As At 31 March

31st March 2019			31st March 2020
£'000		Notes	£'000
	Investments at market value:		
1,976,028	Investment Assets	11	1,949,220
767	Cash Funds	12	773
65,017	Cash Deposits	12	43,669
2,041,812	Sub Total		1,993,662
6,806	Current Assets	16	6,040
-4,580	Current Liabilities	16	-4,107
2,044,038	Net assets of the Scheme available to fund benefits at the period end		1,995,595

The financial statements on pages 6 to 50 summarise the transactions of the Fund and deal with the net assets at the disposal of the Pension Fund Committee. The financial statements do not take account of liabilities and other benefits which fall due after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this information.

Notes to the Financial Statements

1. Basis of preparation

The financial statements summarise the fund's transactions for the 2019/20 financial year and its position at year-end 31 March 2020. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements do not take account of liabilities and other benefits which fall due after the period end.

2. Accounting Policies

The following principal accounting policies, which have been applied consistently (except as noted below), have been adopted in the preparation of the financial statements:

(a) Contributions

Normal contributions, both from the employees and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Early Access contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Under current rules, employers can exercise discretion to give access to a person's pension rights early (other than for ill health). Where this is done, the additional pension costs arising are recharged to the relevant employer and do not fall as a cost to the fund. Under local agreements some Employers have exercised the right to make these repayments over three years incurring the relevant interest costs. As a result total income is recognised in the Fund Account with amounts outstanding from Employers within debtors.

Other Contributions relate to additional pension contributions paid in order to purchase additional pension benefits.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the fund as appropriate.

(c) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the fund. They are accounted for on a cash basis, or where Trustees have agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

A bulk transfer involves a group of employees changing to a new employer in a different Fund or moving along with their existing employer to a new Fund. It is usually triggered by a contract being transferred, a service being restructured or a merger or acquisition involving an LGPS employer. They are accounted for on a cash basis, or on an accrual basis where the liability hasn't been settled before the date of agreement.

CITY & COUNTY OF SWANSEA PENSION FUND

2. Accounting Policies (continued)

(d) Investments

i) The net assets statement includes all assets and liabilities of the fund at the 31st March.

ii) Listed investments are included at the quoted bid price as at 31st March.

iii) Investments held in pooled investment vehicles are valued at the closing bid price at 31st March if both bid and offer price are published; or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

iv) Unquoted securities are valued by the relevant investment managers based on the Fund's share of the net assets or a single price advised by the Fund Manager, in accordance with generally accepted guidelines.

v) Unit trusts are valued at the Managers' bid prices at 31st March.

vi) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.

vii) Investment management fees are accounted for on an accrual basis.

viii) Transaction costs are disclosed in Note 8 - Administrative and Investment Management Expenses.

ix) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.

x) Property Funds/Unit Trusts are valued at the bid market price, which is based upon regular independent valuation of the underlying property holdings of the Fund/Unit Trust.

e) Financial Instruments

Pension Fund assets have been assessed as fair value through profit and loss in line with IAS19.

f) Management Expenses

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

CITY & COUNTY OF SWANSEA PENSION FUND

2. Accounting Policies (continued)

g) Cash and Cash Funds

Cash comprises cash in hand and cash deposits. Cash funds are highly liquid investments held with Investment Managers.

h) Investment Income

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the Fund account. Distributions from pooled investment vehicles are automatically reinvested in the relevant fund. Additional information regarding this is provided in Note 9.

i) Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net asset statement as 31 March 2020 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

- Actuarial present value of promised retirement benefits

j) Critical judgements in applying accounting policies

The funds liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted private equity investments - these are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Guidelines (IPEVCG) outside the US. The value of the unquoted private equities as at 31st March 2020 was £100.08 million (£86.62 million as at 31st March 2019).

k) Other

Other expenses, assets and liabilities are accounted for on an accruals basis.

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2018/19		2019/20
£'000		£'000
	Employers	
71,444	Normal	77,663
976	Deficit recovery contributions	1,287
2,524	Early Access	1,475
<u>74,944</u>	Total	<u>80,425</u>
	Employees	
18,418	Normal	19,245
38	Other	31
<u>18,456</u>	Total	<u>19,276</u>
<u>93,400</u>	Total Contributions Receivable	<u>99,701</u>

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Contributions

Total Contributions		Total Contributions
2018/19 £'000		2019/20 £'000
<u>Administering Authority</u>		
<u>51,971</u>	City & County of Swansea	<u>55,069</u>
<u>Admitted Bodies</u>		
397	Celtic Community Leisure	380
5	Swansea Bay Racial Equality Council	3
131	Wales National Pool	141
2,525	Tai Tarian	2,575
590	Pobl Group	459
5	Rathbone Training Ltd (CCS)	3
28	Rathbone Training Ltd (Gower College)	77
3	Llanrhidian Higher Community Council	4
3	Ysalyfera Community Council	4
273	Wealdon Leisure	573
8	Parkwood Leisure	42
0	Mumbles Community Council	7
<u>3,968</u>	Total Admitted Bodies	<u>4,268</u>
<u>Scheduled Bodies</u>		
11	Cilybebyll Community Council	12
51	Coedffranc Community Council	59
2,611	Gower College Swansea	2,995
2,183	NPTC Group	2,317
69	Neath Town Council	73
30,802	Neath Port Talbot County Borough Council	32,958
50	Margam Joint Crematorium Committee	57
7	Pelenna Community Council	7
18	Pontardawe Town Council	18
29	Swansea Bay Port Health Authority	26
1,624	University of Wales Trinity St Davids	1,836
6	Briton Ferry Town Council	6
<u>37,461</u>	Total Scheduled Bodies	<u>40,364</u>
<u>93,400</u>	Total Contributions Receivable	<u>99,701</u>

CITY & COUNTY OF SWANSEA PENSION FUND

4. Transfers In

Transfers in comprise of:

2018/19		2019/20
£'000		£'000
0	Group transfers from other schemes	0
5,037	Individual transfers from other schemes	4,106
<u>5,037</u>	Total	<u>4,106</u>

5. Other Income

Other income comprise of:

2018/19		2019/20
£'000		£'000
374	Interest on Cash Deposits	420
0	Early Access - Interest	4
<u>374</u>	Total	<u>424</u>

6. Benefits Payable

By category

2018/19		2019/20
£'000		£'000
65,016	Pensions	67,763
15,271	Commutation and lump sum retirement benefits	11,868
1,792	Lump sum death benefits	2,541
<u>82,079</u>	Total	<u>82,172</u>

CITY & COUNTY OF SWANSEA PENSION FUND

3. Analysis of Benefits Paid

Total Benefits Paid		Total Benefits Paid
2018/19 £'000		2019/20 £'000
58,778	<u>Administering Authority</u>	32,896
	City & County of Swansea	
	<u>Admitted Bodies</u>	
50	Celtic Community Leisure	246
4	Swansea Bay Racial Equality Council	5
2	Wales National Pool	12
462	Tai Tarian	939
163	Pobl Group	376
15	The Careers Business	80
1	Cap Gemini	16
1	Phoenix Trust	1
21	BABTIE	57
1	West Wales Arts Association	4
1	Colin Laver Heating	9
0	Rathbone	6
721	Total Admitted Bodies	1,751
	<u>Scheduled Bodies</u>	
1	Coedffranc Community Council	13
236	Gower College Swansea	988
174	NPTC Group	1,007
898	West Glamorgan County Council	7,471
41	West Glamorgan Magistrates Court	216
7	Neath Town Council	1
3,671	Neath Port Talbot County Borough Council	20,923
148	Lliw Valley Borough Council	1,167
12	Margam Joint Crematorium Committee	117
1	Neath Port Talbot Waste Management	10
1	Pelenna Community Council	4
1	Pontardawe Town Council	4
37	Swansea Bay Port Health Authority	159
7	Swansea City Waste Disposal Company	85
281	University of Wales Trinity St Davids	946
1	Briton Ferry Town Council	5
5,517	Total Scheduled Bodies	33,116
65,016	Total Contributions Receivable	67,763

7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2018/19		2019/20
£'000		£'000
183	Refunds to members leaving service	166
905	Bulk Transfer	0
5,231	Individual transfers to other schemes	6,934
<u>6,319</u>	Total	<u>7,100</u>

During 2018/19, a bulk transfer payment was made to the Principal Civil Service Pension Scheme (PCSPS) in respect of 7 members.

CITY & COUNTY OF SWANSEA PENSION FUND

8. Administrative and Investment Management Expenses

All administrative and investment management expenses are borne by the Fund:

2018/19 £'000		2019/20 £'000
	Administrative Expenses	
757	Support Services (SLA) & Employee Costs	761
15	Printing & Publications	7
625	Other	447
1,397		1,215
	Oversight & Governance	
36	Actuarial Fees	83
103	Advisors Fees	105
43	External Audit Fees	37
14	Performance Monitoring Service	14
6	Pension Fund Committee	6
0	Pension Board	2
118	Wales Pension Partnership	182
320		429
1,717		1,644
	Investment Management Expenses	
4,491	Management Fees	3,029
668	Performance Fees	1,572
167	Custody Fees	1,133
4,716	Transaction Costs	2,688
10,042		8,422
11,759	Total	10,066

Transaction costs were considerably higher in 2018/19 due to the transition of the segregated equity mandates to the Wales Partnership in January 2019.

The above represents direct fees payable to the appointed fund managers. However, the following investments are appointed via a fund of fund/manager of managers approach which have their own underlying manager fees.

CITY & COUNTY OF SWANSEA PENSION FUND

8. Administrative and Investment Management Expenses cont'd

The table below represents the underlying manager fees, these fees are not charged to the accounts but are disclosed here for transparency. The returns for these mandates are net of the underlying manager costs, this is reflected in Note 12 within the Change in Market Value.

2018/19 £'000		2019/20 £'000
96	Partners Group	116
331	Blackrock	505
671	Schroders Property Fund	655
1224	EnTrustPermal	1,405
943	HarbourVest	1,038
0	WPP Global Opportunities Fund	2,409
3,265		6,128

Included in Management Expenses is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangement.

The Oversight and Governance costs are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV).

Further details on the WPP can be found in the Annual Report.

2018/19 £'000		2019/20 £'000
	WPP Oversight and Governance Costs	
126	Running Costs	70
	WPP Investment Management Expenses	
406	Fund Manager fees	946
4,396	Transaction costs	2,395
29	Custody fees	151
4,957	Total	3,562

In 2018/19 WPP fund manager fees and custody fees only covered the period January 2019 to March 2019.

CITY & COUNTY OF SWANSEA PENSION FUND

9. Investment Income

2018/19	2019/20
£'000	£'000
15,414 U.K. Equities	1,675
10,165 Overseas Equities	1,318
3,818 Managed Fund - Fixed Interest	3,406
1,845 Pooled Investment vehicles - Property Fund	2,074
-13 Interest and other Income	9
<u>31,229</u> Total	<u>8,482</u>

The three segregated mandates with JP Morgan, Aberdeen Standard and Schroders Investment Managers for UK and Overseas Equities were transitioned to Wales Pension Partnership in January 2019. The amounts detailed above for equities represents the residual income in the custody accounts after transition.

The equity assets under management by Blackrock and Wales Pension Partnership are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a either equity, bond and money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the fund value and change in market value on these funds will reflect both capital appreciation / depreciation plus reinvested investment income.

10. Taxation

a) United Kingdom

The Fund is exempt from Income Tax on interest and dividends and from Capital Gains Tax but now has to bear the UK tax on other income. The fund is reimbursed V.A.T. by H.M. Revenue and Customs and the accounts are shown exclusive of V.A.T.

b) Overseas

The majority of investment income from overseas suffers a withholding tax in the country of origin.

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets

	31st March 2019			31st March 2020		
	UK £'000	Global £'000	Total £'000	UK £'000	Global £'000	Total £'000
Pooled investment vehicles						
Managed Funds:						
Quoted:						
Equity	0	14,489	14,489	0	10,126	10,126
Fixed Interest	0	118,199	118,199	0	114,910	114,910
Unquoted:						
Equity	161,963	1,299,260	1,461,223	0	1,383,152	1,383,152
Fixed Interest	79,090	16,703	95,793	90,140	18,867	109,007
Index-linked	34,385	0	34,385	35,111	0	35,111
Property Unit Trust	19,528	0	19,528	20,146	0	20,146
Property Fund	36,430	33,089	69,519	31,142	48,566	79,708
Hedge Fund	0	54,168	54,168	0	49,971	49,971
Private Equity	0	86,625	86,625	0	100,080	100,080
Infrastructure	0	18,501	18,501	0	33,635	33,635
Private Debt	0	0	0	0	11,563	11,563
Derivatives	0	3,598	3,598	0	1,811	1,811
Total pooled investment vehicles	331,396	1,644,632	1,976,028	176,539	1,772,681	1,949,220
Cash Funds			767			773
Cash			65,017			43,669
Other Investment Balances Due			0			
Total			2,041,812			1,993,662

CITY & COUNTY OF SWANSEA PENSION FUND

11. Investment Assets (continued)

An analysis of investment assets based on the class of investment is shown below :

31st March 2019 £'000	Investment assets	31st March 2020 £'000
213,992	Fixed interest	223,917
34,385	Index linked securities	35,111
161,963	U.K. equities	0
1,313,749	Global Equities	1,393,278
89,047	Property	99,854
54,168	Hedge Funds	49,971
86,625	Private Equity	100,080
18,501	Infrastructure	33,635
0	Private Debt	11,563
3,598	Derivatives	1,811
<u>1,976,028</u>	Total investment assets	<u>1,949,220</u>

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in investments

		Value at 31st March 2019	Purchases	Sales	Change in Market Value	Value at 31st March 2020
		£'000	£'000	£'000	£'000	£'000
Equities						
	Aberdeen FF	14,489	473	0	-4,836	10,126
	Blackrock	518,335	507,932	-507,166	-33,989	485,112
	WPP	942,888	0	-3,430	-41,418	898,040
		<u>1,475,712</u>	<u>508,405</u>	<u>-510,596</u>	<u>-80,243</u>	<u>1,393,278</u>
Property						
UK	Schroders	55,958	2,705	-3,842	-3,533	51,288
Overseas	Partners	18,791	669	-2,429	-423	16,608
	Invesco	14,298	17,117	-801	1,344	31,958
		<u>89,047</u>	<u>20,491</u>	<u>-7,072</u>	<u>-2,612</u>	<u>99,854</u>
Fixed Interest						
Fixed Interest	Blackrock	80,003	0	0	8,521	88,524
	GSAM	118,199	3,406	0	-6,695	114,910
		<u>198,202</u>	<u>3,406</u>	<u>0</u>	<u>1,826</u>	<u>203,434</u>
Index-Linked	Blackrock	34,385	0	0	726	35,111
		<u>34,385</u>	<u>0</u>	<u>0</u>	<u>726</u>	<u>35,111</u>
Hedge Funds						
	Blackrock	28,764	0	-219	-1,912	26,633
	Permal	25,404	0	-288	-1,778	23,338
		<u>54,168</u>	<u>0</u>	<u>-507</u>	<u>-3,690</u>	<u>49,971</u>
Private Equity						
	HarbourVest	86,625	12,974	-16,317	16,798	100,080
		<u>86,625</u>	<u>12,974</u>	<u>-16,317</u>	<u>16,798</u>	<u>100,080</u>
Infrastructure						
	First State	18,501	15,874	-2,642	1,902	33,635
		<u>18,501</u>	<u>15,874</u>	<u>-2,642</u>	<u>1,902</u>	<u>33,635</u>
Private Debt						
	Alcentra	0	11,751	-751	563	11,563
		<u>0</u>	<u>11,751</u>	<u>-751</u>	<u>563</u>	<u>11,563</u>
Equity Protection						
	Russell	19,388	0	0	2,906	22,294
		<u>19,388</u>	<u>0</u>	<u>0</u>	<u>2,906</u>	<u>22,294</u>
Cash funds						
	Schroders	767	0	0	6	773
		<u>767</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>773</u>
Total		<u>1,976,795</u>	<u>572,901</u>	<u>-537,885</u>	<u>-61,818</u>	<u>1,949,993</u>
Cash		65,017				43,669
Other Investment Balances -						
Dividends Due		0				0
TOTAL		<u>2,041,812</u>			<u>-61,818</u>	<u>1,993,662</u>

CITY & COUNTY OF SWANSEA PENSION FUND

12. Reconciliation of movements in investments (continued)

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £2,688k (2018/19 : £4,462k). Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately disclosed.

13. Concentration of Investments

The following investments represented 5% or more of the Fund's net assets at 31st March 2020

:

	Value as at the 31st March 2019 £'000	Proportion of Net Asset %	Value as at the 31st March 2020 £'000	Proportion of Net Asset %
Blackrock UK Equity Index	161,963	8.0	-	-
Blackrock North American Equity Index	175,447	8.6	-	-
Blackrock ACS Low Carbon Tracker	-	-	444,867	22.3%
Goldman Sachs Global Libor Plus II	118,199	5.8	114,910	5.8%
HarbourVest Private Equity Fund	-	-	100,080	5.0%
WPP Global Opportunities Fund	942,888	46.3	898,040	45.0%

The Blackrock Equity Index Fund was transitioned to the Blackrock Low Carbon Tracker Fund in July 2019. The value of the HarbourVest Private Equity Fund was below the 5% threshold in 2018/19.

14. Realised Profit on the Sale of Investments

	2018/19 £'000	2019/20 £'000
26,385 U.K. Equities		0
17,343 Overseas Equities		0
1,047 Property Fund		2,131
44,775 Net Profit		2,131

The realised profit was significantly lower in 2019/20 due to the transition of the segregated mandates to the Wales Pension Partnership in January 2019. Income from the WPP Global Opportunities Fund is reinvested and rolled up in the Net Asset Value, so is not identified as realised profit.

CITY & COUNTY OF SWANSEA PENSION FUND

15. Fixed Interest and Index Linked Investments

The fixed interest and index-linked investments are comprised of:

31st March 2019	31st March 2020
£'000	£'000
154,065 UK Public Sector	124,072
78,522 Other	114,472
<u>232,587</u>	<u>238,544</u>

16. Current Assets and Liabilities

The amounts shown in the statement of Net Assets are comprised of:

31st March 2019	31st March 2020
£'000	£'000
Current Assets	
697 Contributions - Employees	724
2,734 Contributions - Employers	2,969
1,600 Early Access Contributions Debtor	1,091
758 Transfer Values	186
1,017 Other	1,070
<u>6,806</u>	<u>6,040</u>
Current Liabilities	
-566 Investment Management Expenses	-220
-2,025 Commutation and lump sum retirement benefits	-1,765
-199 Lump sum death benefits	-480
-665 Transfers to Other Schemes	-541
-662 Payroll Deductions - Tax	-623
-6 Payable Control List	0
-457 Other	-478
<u>-4,580</u>	<u>-4,107</u>
<u>2,226 Net</u>	<u>1,933</u>

CITY & COUNTY OF SWANSEA PENSION FUND

16. Current Assets & Liabilities (continued)

Early Access Debtor

	Instalment Due 2020/21 £'000	Instalment Due 2021/22 £'000	Instalment Due 2022/23 £'000	Instalment Due 2023/24 £'000	Total £'000
Early Access Principal Debtor	976	57	57	0	1,090
Early Access Interest Debtor	5	4	4	0	13
Total (Gross)	981	61	61	0	1,103

17. Capital and Contractual Commitments

As at 31st March 2020 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £176.4m (2018/19 : £88.7m).

As part of the asset re-allocation strategy previously agreed by the Pension Committee, in 2019/20 new commitments were made to a number of yielding assets (CVC Credit Partners European Direct Credit Lending Feeder Fund £24.3m) and (Blackrock Global Renewable Power Fund 111 £25.8m), an additional commitment to First State EDIF 11 Infrastructure Fund of £35m.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2020

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City & County of Swansea Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £2,044.0M) covering 91.5% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay, and for other membership for future pension revaluation and increases.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

- 20.2% p.a. of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 1.5% p.a. of pensionable pay for McCloud and cost management – see paragraph 9 below,

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 19 years from 1 April 2020, equivalent to 3.3% p.a. of pensionable pay (or £10.3M in 2020/21, and increasing by 3.6% p.a. thereafter), which together with the allowance above comprises the secondary rate.

3. In practice, each individual employer's or group of employers' position is assessed separately taking into account other factors (see note 4 below) and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2020 (continued)

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	25.1	0.57
2021	25	0.58
2022	25	0.68

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).

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

Discount rate for periods in service

Secure scheduled body employers *	4.25% p.a.
Ongoing orphan employers	4.25% p.a.

Discount rate for periods after leaving service

Secured scheduled body employers *	4.25% p.a.
Ongoing orphan body employers	1.6% p.a.

Rate of pay increases	3.6% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

**The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*

In addition the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2020 (continued)

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.1	24.1
Current active Members aged 45 at the valuation date	23.1	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

▪ **Increases to GMPs:**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2020 (continued) Actuarial Present Value of Promised Retirement Benefits

▪ Cost Management Process and McCloud Judgement

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.25% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to an decrease in the discount rates, and expected future inflation linked benefit increases have increased, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.

11. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

Aon does not accept any responsibility or liability to any party other than our client, City and County of Swansea Council, the Administering Authority of the Fund, in respect of this Statement.

12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.swanseapensionfund.org.uk/investment-and-fund/actuarial-valuations/>

Aon Hewitt Limited

May-20

18. Statement of the Actuary for the year ended 31 March 2020 (continued)
Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice on Local Authority Accounting for 2019/20 sets out that the actuarial present value of promised retirement benefits based on projected salaries be disclosed, consistent with the requirements of IAS19.

The results as at 31st March 2019, together with the results at 31st March 2016 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

	Value as at 31st March 2019	Value as at 31st March 2016
	£M	£M
Fair Value of Net Assets	2,044.0	1,512.6
Actuarial present value of the defined benefit obligation (see Notes)	3,215.9	2,249.7
Surplus/(deficit) in the fund as measured for IAS26 purposes	(1,171.9)	(737.1)

Notes

McCloud/Sargeant Judgement

The actuarial present value of the defined benefit obligation at 31st March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgment of £35.2m.

The McCloud/Sargeant judgement (December 2018) found that the transitional arrangements put in place when the Firefighters' and Judges' Pension Schemes were reformed constituted illegal discrimination. The Government has since committed to compensate all members of public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales all members joined the 2014 Scheme for membership after the 1st April 2014, but members within 10 years of normal retirement were given an underpin (or "better of both") promise, so their benefits earned after 1st April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme.

The remedy for the LGPS is expected to be consulted upon in the summer. The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the Scheme on 1st April 2012 (and not just those within 10 years of retirement).

Equalisation and Indexation of Guaranteed Minimum Pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMP's) beyond the arrangements already formally in place, which applies to members whose State Pension AGE (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements required the LGPS to pay pension increase on GMP's at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included in this note assumes those arrangements for fully indexing GMP's will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation in the region of 0.1% to 0.3%.

Cost Management Process

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations.

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

HM Treasury and the SAB have paused their reviews following the "McCloud" judgement in the Court of Appeal. The cost cap process will not commence until the remedy as applies to the LGPS has been decided.

On 24 April 2020 a number of Trade Unions filed court proceedings to challenge the Government's decision to pause the cost management process. If successful this could lead to higher liabilities and employer costs although it is not yet known how such changes, and those required due to the McCloud case, will effect the cost management valuation due as at 31 March 2020 which is expected would lead to changes in benefits and/or member contributions in future.

18. Statement of the Actuary for the year ended 31 March 2020 (continued)

Actuarial Present Value of Promised Retirement Benefits

A full detailed report on the IAS26 figures can be found on the Pension Fund website at the following link :

<https://www.swanseapensionfund.org.uk/investment-and-fund/actuarial-valuations/>

Definitions

Admission Body

An employer admitted to the Fund under an admission agreement.

Orphan Body

This is an admission body or other employer whose participation in the Fund may cease at some

Scheduled Body

Employers which participate in the Fund under Schedule 2 of the Administration Regulations.

Subsumption and subsumption body

When an admission body or other employer ceases participation in the Fund, so that it has no employees contributing to the Fund and once any contribution on cessation as required by the regulations has been paid, the Fund will normally be unable to obtain further contributions from that employer (eg if future investment returns are less than assumed). It is however possible for another long term employer in the Fund (generally a scheduled body) to agree to be a source of future funding should any funding shortfalls emerge on the original employer's liabilities. The long term employer effectively subsumes the assets and liabilities of the ceasing employer into its own assets and liabilities. In this document this is known as subsumption. In this document the admission body or other employer being subsumed is referred to as a subsumption body and its liabilities are known as subsumed liabilities.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2020 (continued)

Rates & Adjustment Certificate

Actuarial certificate given for the purposes of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2017 to 31st March 2020.

i) An aggregate primary rate of 18.0% pa of Pensionable Pay.

ii) Individual adjustments (i.e. secondary contribution rates) which, when added to or subtracted from the primary rate, produce the following minimum Employer contribution rates.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2020 (continued)

Employer	Primary contribution rate % pensionable pay	Secondary contributions (% Pensionable pay and £s) in year commencing 1 April			Total contributions (% Pensionable pay and £s) in year commencing 1 April		
		2017	2018	2019	2017	2018	2019
Schedule 2 Part 1 bodies/ Schedule 2 Part 2 bodies (Scheduled bodies)							
City & County of Swansea	17.9%	5.5%	6.5%	7.9%	23.4%	24.4%	25.8%
Neath Port Talbot County Borough Council	17.8%	7.7%	8.5%	9.3%	25.5%	26.3%	27.1%
Cilybebyll Community Council	27.6%	-4.7%	-2.3%	0.1%	22.9%	25.3%	27.7%
Coedffranc Community Council	20.3%	-0.1% plus £5,300	-0.1% plus £5,500	-0.1% plus £5,700	20.2% plus £5,300	20.2% plus £5,500	20.2% plus £5,700
Neath Town Council	20.3%	-0.1% plus £16,200	-0.1% plus £16,800	-0.1% plus £17,400	20.2% plus £16,200	20.2% plus £16,800	20.2% plus £17,400
Pelenna Community Council	27.0%	£1,200	£1,200	£1,300	27.0% plus £1,200	27.0% plus £1,200	27.0% plus £1,300
Pontardawe Town Council	23.0%	£800	£800	£900	23.0% plus £800	23.0% plus £800	23.0% plus £900
Gower College	17.9%	3.8%	3.9%	3.9%	21.7%	21.8%	21.8%
NPTC Group	17.7%	£168,400	£174,300	£180,400	17.7% plus £168,400	17.7% plus £174,300	17.7% plus £180,400
Margam Joint Crematorium Committee	20.3%	-0.1% plus £9,400	-0.1% plus £9,700	-0.1% plus £10,100	20.2% plus £9,400	20.2% plus £9,700	20.2% plus £10,100
Swansea Bay Port Health Authority	5.8%	16.6% plus £0	16.6% plus £4,400	16.6% plus £9,000	22.4% plus £0	22.4% plus £4,400	22.4% plus £9,000
Schedule 2 Part 3 bodies (Admission bodies)							
Celtic Community Leisure	13.2%	-	-	-	13.2%	13.2%	13.2%
Grwp Gwalia Cyf	22.0%	-1.6%	-1.6%	-1.6%	20.4%	20.4%	20.4%
Neath Port Talbot Homes Ltd	17.0%	£62,300	£218,500	£374,700	17.0% plus £62,300	17.0% plus £218,500	17.0% plus £374,700
Rathbone Training Ltd (City & County of Swansea)	22.4%	2.8%	2.8%	2.8%	25.2%	25.2%	25.2%
Rathbone Training Ltd (Gower College)	24.3%	-	-	-	24.3%	24.3%	24.3%

Swansea Bay Racial Equality Council	37.0%	-1.8% plus £600	-0.9% plus £1,300	£2,000	35.2% plus £600	36.1% plus £1,300	37.0% plus £2,000
Trinity St Davids	28.0%	£389,400	£542,300	£686,100	28.0% plus £389,400	28.0% plus £542,300	28.0% plus £686,100
Wales National Pool	14.2%	-	-	-	14.2	14.2	14.2
Total	18.0%	5.5% plus £653,600	6.3% plus £974,800	7.3% plus £1,287,600	23.5% plus £653,600	24.3% plus £974,800	25.3% plus £1,287,600

The contribution rates for the City & County of Swansea, Neath Port Talbot County Borough Council and Gower College have been set as a percentage of pay. However, minimum monetary contribution amounts for these employers have been agreed with the Administering Authority, and if the contributions actually received fall below this minimum level additional payments will be required. These minimums are such that the total contributions in aggregate must be no less than :

City & County of Swansea	17.9% of pensionable pay plus £8.18M in 2017/18, 17.9% of pensionable pay plus £9.53M in 2018/19, 17.9% of pensionable pay plus £11.37M in 2019/20.
Neath Port Talbot County Borough Council	17.8% of pensionable pay plus £6.18M in 2017/18, 17.8% of pensionable pay plus £6.82M in 2018/19, 17.8% of pensionable pay plus £7.47M in 2019/20
Gower College	17.9% of pensionable pay plus £250,000 in 2017/18, 17.9% of pensionable pay plus £259,000 in 2018/19, 17.9% of pensionable pay plus £268,000 in 2019/20

The contributions shown above represent the minimum contributions to be paid by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Where payments due from an Employer are expressed as monetary amounts, the amounts payable by that Employer may be adjusted to take account of any amounts payable, in respect of surplus or shortfall to which those monetary payments relate, by new employers created after the valuation date which have been credited with proportions of the assets and liabilities of the relevant Employer.

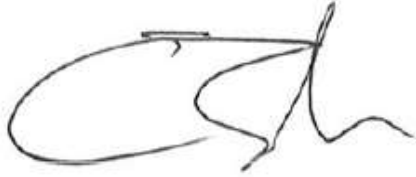
Additional contributions may be required in respect of any additional liabilities that arise under the provisions of Regulations 30, 31, 35 and 38 of the 2013 Regulations and Employers will be notified of such contributions separately by the Administering Authority.

Additional contributions may be payable by any Employers which have ceased to participate in the Fund since 31 March 2016 and these will be certified separately.

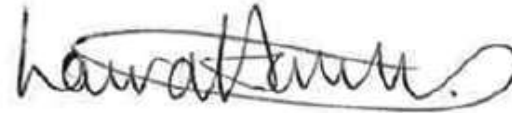
Contribution rates for Employers commencing participation in the Fund after 31 March 2016 will be advised separately.

This certificate should be read in conjunction with the notes overleaf.

Signed on behalf of Aon Hewitt Limited

A handwritten signature in black ink, appearing to read 'C. Archer', with a large, sweeping initial 'C'.

Chris Archer FIA
Fellow of the Institute and Faculty of Actuaries

A handwritten signature in black ink, appearing to read 'Laura Hamilton', with a large, sweeping initial 'L'.

Laura Hamilton FIA
Fellow of the Institute and Faculty of Actuaries

30 March 2017

Aon Hewitt Limited
25 Marsh Street
Bristol BS1 4AQ

19. Related party transactions

£761k (£757k 2018/19) was paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Directorate & Legal Services during the year.

Contributions received from admitted and scheduled bodies as detailed on page 8.

The City & County of Swansea acts as administering Authority for the City and County of Swansea Pension Fund (formerly the West Glamorgan Pension Fund).

Transactions between the Authority and the Pension Fund mainly comprise the payment to the Pension Fund of employee and employer payroll superannuation deductions, together with payments in respect of enhanced pensions granted by Former Authorities.

The Pension Fund currently has 38 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by an independent advisor and an investment consultancy service.

Key Management Personnel

The key management personnel of the Fund are the Chief Executive and the Chief Finance Officer (Section 151 Officer). As required by 3.9.4.2 of the CIPFA code of practice 2019/20, the figures below show the change in value of post-employment benefits provided to these individuals over the accounting year based on the percentage of time on matters relating to the Pension Fund. The value of the benefits has been calculated consistently with those of the whole Fund disclosure provided in Note 18, albeit the figures below have been calculated at different dates to those used for the whole fund disclosure.

	Increase/(decrease) in IAS19 liability to 31 March 2020		Increase/(decrease) in IAS19 liability to 31 March 2019	
	Amount £	Percentage (%) of year end liability	Amount £	Percentage (%) of year end liability
Chief Executive	65,000	3.6	77,000	4.3
Section 151 Officer & Chief Finance Officer	74,000	15.6	77,000	20.7

CITY & COUNTY OF SWANSEA PENSION FUND

19. Related Party Transactions Cont'd

	Short Term Benefits to 31 March 2020		Short Term Benefits to 31 March 2019	
	Remuneration (Including Fees & Allowances) £	Pension Contributions (25.8%)	Remuneration (Including Fees & Allowances) £	Pension Contributions (24.4%)
Chief Executive	148,584	19,167	145,670	35,544
Interim Chief Executive	13,833	-	10,869	-
Section 151 Officer & Chief Finance Officer	100,467	25,835	26,446	6,453

- (i) The Chief Executive returned to work following long term sickness on 2nd June 2019.
- (ii) The Interim Chief Executive post came to an end on 31st May 2019.

CITY & COUNTY OF SWANSEA PENSION FUND

19. Related Party Transactions Cont'd

There are 7 councillor members of the pension committee who are active members in the City & County of Swansea Pension Fund. The benefit entitlement for the Councillors is accrued under the same principles that apply to all other members of the Fund.

20. Additional Voluntary Contributions

Some members of the Fund pay voluntary contributions to the fund's AVC providers, The Prudential, to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. Some members also still invest and have funds invested with the legacy AVC providers, Equitable Life and Aegon.

The Pension Fund accounts do not include the assets held by The Prudential, Equitable Life or Aegon. AVCs are not included in the accounts in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946) but are disclosed as a note only.

AVC Provider	Value of Funds at 1st April 2019	Purchases at Cost (Contributions In/Out)	Sale Proceeds	Change in Market Value	Value of Funds at 31st March 2020
	£'000	£'000	£'000	£'000	£'000
Prudential	6,385	1,655	-554	-39	7,447
Aegon	1,032				
Equitable Life	238				
Totals	7,655	1,655	(554)	(39)	7,447

CITY & COUNTY OF SWANSEA PENSION FUND

21. Membership

The Pension Fund covers City & County of Swansea employees (except for teachers, for whom separate pension arrangements apply), and other bodies included in the schedule.

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 20 there were 20,050 contributors, 15,050 pensioners and 11,838 deferred pensioners.

Membership statistics	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st March 2020
	Number	Number	Number	Number	Number
Contributors	17,469	17,903	19,671	19,888	20,050
Pensioners	11,745	12,200	12,763	13,229	15,050
Deferred Pensioners	11,226	11,583	11,394	11,874	11,838
Total	40,440	41,686	43,828	44,991	46,938

See Appendix 1 for current year analysis

22. Fair Value of Investments

Financial Instruments

The Fund invests through pooled vehicles. The managers of these pooled vehicles invest in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings and unlisted equity and also monitor credit and counterparty risk, liquidity risk and market risk.

Financial Instruments - Gains & Losses

Gains and losses on financial instruments have been disclosed within note 9, 12 and 14 of the pension fund accounts.

IFRS9 introduced a new classifications under the code :

- recognition of expected loss allowances for financial assets at amortised cost, fair value through other comprehensive income (FVOCI) assets, lease receivables, contract assets, loan commitments and financial guarantees.

- the option of additional disclosures for hedge accounting.

As the assets and liabilities held by the Pension Fund are already classed as fair value through profit and loss (FVTPL) and this is expected to continue, consequently there are no changes to the measurement or classification of investment assets and liabilities.

CITY & COUNTY OF SWANSEA PENSION FUND

Fair Value – Hierarchy

The fair value hierarchy introduced as part of the new accounting Code under IFRS7 requires categorisation of assets based upon 3 levels of asset valuation inputs -

- Level 1 - where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
- Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.
- Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2019 and 2020 based upon this hierarchy:

CITY & COUNTY OF SWANSEA PENSION FUND

22. Fair Value of Investments (continued)

FAIR VALUE - HIERARCHY

	31 March 2019		31 March 2020		
	Market Value	Level 1	Level 2	Level 3	Market Value
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles					
Fixed-Interest Funds	118,199	118,199	114,910		114,910
UK Equity	161,963		0	0	0
Global Equity	1,313,749	14,489	1,393,278	10,126	1,383,152
Fixed Interest	95,793		109,007		109,007
Index-linked	34,385		35,111		35,111
Property Unit Trust	19,528		20,146		20,146
Property Fund	69,519		79,708		79,708
Hedge Fund	54,168		49,971		49,971
Private Equity	86,625		100,080		100,080
Infrastructure	18,501		33,635		33,635
Private Debt	0		11,563		11,563
Derivatives	3,598	3,598	1,811	1,811	1,811
Cash	65,784	65,784	44,442	44,442	44,442
Total	2,041,812	202,070	1,993,662	171,289	1,527,270
					295,103

23. INVESTMENT RISKS

As demonstrated above, the Fund maintains positions indirectly via its investment managers in a variety of financial instruments including bank deposits, quoted equity instruments, fixed interest securities, direct property holdings, unlisted equity products, commodity futures and other derivatives. This exposes the Fund to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

Procedures for Managing Risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money. The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The Pension Fund annually reviews its Investment Strategy Statement (ISS) and corresponding Funding Strategy Statement (FSS), which set out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Fund continues to review its structure. A key element in this review process is the consideration of risk and for many years now the Fund has pursued a policy of lowering risk by diversifying investments across asset classes, investment regions and fund managers. Furthermore, alternative assets are subject to their own diversification requirements and some examples are given below.

- Private equity - by stage, geography and vintage where funds of funds are not used
- Property - by type, risk profile, geography and vintage (on closed ended funds)
- Hedge funds – multi-strategy and or funds of funds

Manager Risk

The Fund is also well diversified by managers. On appointment, fund managers are delegated the power to make such purchases and sales as they deem appropriate under the mandate concerned. Each mandate has a benchmark or target to outperform or achieve, usually on the basis of 3-year rolling periods. An update, at least quarterly, is required from each manager and regular meetings are held with managers to discuss their mandates and their performance on them. There are slightly different arrangements for some of the alternative assets. Some private equity and property investment is fund, rather than manager-specific, with specific funds identified by the investment sub group after careful due diligence. These commitments tend to be smaller in nature than main asset class investments but again regular performance reports are received and such investments are reviewed with managers at least once a year.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. As noted above almost all the Fund's investments are through pooled vehicles and a number of these are involved in derivative trades of various sorts including futures, swaps and options. Whilst the Fund is not a direct counterparty to such trades and so has no direct credit risk, clearly all derivative transactions incorporate a degree of risk and the value of the pooled vehicle, and hence the Fund's holding, could be impacted negatively by failure of one of the vehicle's counterparties. However, part of the operational due diligence carried out on potential manager appointees concerns itself with the quality of that manager's risk processes around counterparties and seeks to establish assurance that these are such as to minimise exposure to credit risk.

There has been no historical experience of default on the investments held by the Pension Fund.

Within the Fund, the areas of focus in terms of credit risk are bonds and some of the alternative asset categories.

- The Fund's active fixed-interest bond portfolio £114,910k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2020, the Fund's exposure to non-investment grade paper was 12.5% of the actively managed fixed income portfolio.
- On private equity the Fund's investments are almost entirely in the equity of the companies concerned. The Fund's private equity investments of £100,080k are managed by Harbourvest in a fund of funds portfolio.

On hedge fund of funds and multi-strategy vehicles, underlying managers have in place a broad range of derivatives. The Fund's exposure to hedge funds through its managers at 31st March 2020 is set out below with their relative exposure to credit risk.

	March 2020 £'000	Credit Exposure
EnTrustPermal	23,338	21.11%
Blackrock	26,633	19.00%

Liquidity Risk

The Pension Fund has its own bank accounts. At its simplest, liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, especially pension payments to its members. At a strategic level the Administering Authority, together with its consulting actuary, reviews the position of the Fund triennially to ensure that all its obligations can be suitably covered.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Ongoing cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions is also essential. This is in place with the Fund's position updated regularly.

Specifically on investments, the Fund holds through its managers a mixture of liquid, semi-liquid and illiquid assets. Whilst the Fund's investment managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions, they hold within their pooled vehicles a large value of very liquid securities, such as equities and bonds quoted on major stock exchanges, which can easily be realised. Traditional equities and bonds now comprise 85% of the Fund's value and, whilst there will be some slightly less liquid elements within this figure (emerging market equities and debt for example), the funds investing in these securities offer monthly trading at least – often weekly or fortnightly.

On alternative assets the position is more mixed. Most are subject to their own liquidity terms or, in the case of property, redemption rules. Closed-ended funds such as most private equity vehicles and some property funds are effectively illiquid for the specific period (usually 10 years), although they can be sold on the secondary market, usually at a discount.

The table below analyses the value of the Fund's investments at 31st March 2020 by liquidity profile.

	Amounts at				
	31st March 2020 £000s	Within 1 month £000s	1-3 months £000s	4-12 months £000s	> 1 Year £000s
Pooled Investment Vehicles					
Fixed-Interest Funds	114,910	114,910	0	0	0
Overseas Equity	1,393,278	1,393,278	0	0	0
Fixed Interest	109,007	109,007	0	0	0
Index-linked	35,111	35,111	0	0	0
Property Unit Trust	20,146	0	0	20,146	0
Property Fund	79,708	0	0	31,142	48,566
Hedge Fund	49,971	0	0	49,971	0
Private Equity	100,080	0	0	0	100,080
Infrastructure	33,635	0	0	0	33,635
Private Debt	11,563	0	0	0	11,563
Derivatives	1,811	1,811	0	0	0
Deposits with banks and other financial institutions	44,442	44,442	0	0	0
Total	1,993,662	1,698,559	0	101,259	193,844

23. INVESTMENT RISKS (continued)

It should be noted that different quoted investments are subject to different settlement rules but all payments/receipts are usually due within 7 days of the transaction (buy/sell) date. Because the Fund uses some pooled vehicles for quoted investments these are often subject to daily, weekly, 2-weekly or monthly trading dates. All such investments have been designated "within 1 month" for the purposes of liquidity analysis. Open-ended property funds are subject to redemption rules set by their management boards. Many have quarterly redemptions but these can be held back in difficult markets so as not to force sales and disadvantage continuing investors. For liquidity analysis purposes, a conservative approach has been applied and all such investments have been designated "within 4-12 months".

Closed-ended funds have been designated illiquid for the purposes of liquidity analysis. However, these closed-ended vehicles have a very different cash flow pattern to traditional investments since the monies committed are only drawn down as the underlying investments are made (usually over a period of 5 years) and distributions are returned as soon as underlying investments are exited (often as early as year 4). In terms of cash flow, therefore, the net cash flow for such a vehicle usually only reaches a maximum of about 60-70% of the amount committed and cumulative distributions usually exceed cumulative draw downs well before the end of the specified period, as these vehicles regularly return 1½ to 2½ times the money invested. At the same time, it has been the Fund's practice to invest monies on a regular annual basis so the vintage year of active vehicles ranges from 2000 to 2013.

This means that, whilst all these monies have been designated closed-ended and thereby illiquid on the basis of their usual "10-year life", many are closer to maturity than implied by this broad designation. As can be seen from the table, even using the conservative basis outlined above, around 85% of the portfolio is realisable within 1 month and 90% is realisable within 12 months.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial institution will fluctuate because of changes in market price. The Fund is exposed to the risk of financial loss from a change in the value of its investments and the consequential danger that its assets will fail to deliver returns in line with the anticipated returns underpinning the valuation of its liabilities over the long term.

Market risk is comprised of two elements :

- The risks associated with volatility in the performance of the asset class itself (beta);
- The risks associated with the ability of managers, where allowed, to move away from index weights and to generate alpha, thereby offsetting beta risks by exceeding market performance.

The table on the following page sets out an analysis of the Fund's market risk positions at 31 March 2020 by showing the percentage invested in each asset class and through each manager within each main asset class, the index used as a benchmark and the target set for managers against this benchmark.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Asset Class	Asset Allocation	Fund Manager		Benchmark	Performance target
		Passive	Active		
Global Equities	34% +/- 5%	24% Blackrock - Low Carbon Fund	46% Wales Pension Partnership Aberdeen	MSCI All World Index Net MSCI Frontier Markets Index	+2% p.a. over rolling 3 year +3% p.a. over rolling 3 year
Global Fixed Interest	15% +/- 5%	6% Blackrock	6% Goldman Sachs	Libor	LIBOR +3%
Property	5% +/- 5%	-	5% Schroders, Partners & Invesco	IPD UK Pooled Property Fund Index	+ 1% p.a. over rolling 3 year, 8% absolute return
Hedge Funds	5% +/- 5%	-	3% Blackrock & EnTrustPermal	LIBOR	+4%
Private Equity	3% +/- 5%	-	5% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Infrastructure	2% +/- 5%	-	2% First State, Blackrock	10% Absolute	10% Absolute
Private Debt	1% +/-1%	-	1% Alcentra, CVC	7% Absolute	7% Absolute
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBID	=
TOTAL	100%	30%	70%		

It is recognised that at balance sheet date the asset allocation was non-aligned with the above asset allocation post transition of assets to the Wales Pension Partnership, however the allocation was aligned for the majority of the financial year. The ISS shall be reviewed and updated at the September meeting of the Pension Fund Committee.

The risks associated with volatility in market values are managed mainly through a policy of broad asset diversification. The Fund sets restrictions on the type of investment it can hold through investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's ISS summarised above) and the weightings of the various asset classes within the benchmark form the basis for asset allocation within the Fund. Under normal conditions there is quarterly rebalancing to this strategic benchmark within fixed tolerances. This allocation, determined through the Fund's asset allocation, is designed to diversify and minimise risk through a broad spread of investments across both the main and alternative asset classes and geographic regions within each asset class.

Market risk is also managed through manager diversification – constructing a diversified portfolio across multiple investment managers. On a daily basis, managers will manage risk in line with the benchmarks, targets and risk parameters set for the mandate, as well as their own policies and processes. The Fund itself monitors managers on a regular basis (at least quarterly) on all these aspects.

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Price Risk

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 instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible. Had the market price of the fund investments increased/decreased in line with the potential market movements, the change in the net assets available to pay benefits in the market price as at 31 March 2020 would have been as follows:

Price Risk				
Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
Overseas Equities	1,393,278	11.6747	1,555,938	1,230,618
Total Bonds & Index-Linked	259,028	5.4709	273,199	244,857
Alternatives	197,060	3.3028	203,568	190,552
Cash	44,442	2.1298	45,389	43,495
Property	99,854	1.0210	100,874	98,834
Other Investment Balances	-	-	-	-
Total Assets*	1,993,662	8.1606	2,156,357	1,830,967

**The % change for Total Assets includes the impact of correlation across asset classes*

and as at 31st March 2019:

Price Risk				
Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	161,963	8.9407	176,444	147,482
Overseas Equities	1,313,749	8.9407	1,431,208	1,196,290
Total Bonds & Index-Linked	248,377	4.3676	259,225	237,529
Alternatives	162,892	4.1457	169,645	156,139
Cash	65,784	0.4562	66,084	65,484
Property	89,047	1.6382	90,506	87,588
Other Investment Balances	-	-	-	-
Total Assets*	2,041,812	6.3664	2,171,803	1,911,821

**The % change for Total Assets includes the impact of correlation across asset classes*

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

In consultation with the fund's investment advisors, the council has determined that the following movements in currencies are reasonably possible. The following represents a sensitivity analysis associated with foreign exchange movements as at 31 March 2020 :

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	-	-	-	-
Brazilian Real	-	-	-	-
Canadian Dollar	-	-	-	-
Danish Krone	-	-	-	-
EURO	98,340	6.3371	104,572	92,108
Hong Kong Dollar	-	-	-	-
Indian Rupee	-	-	-	-
Indonesian Rupiah	-	-	-	-
Israeli Shekel	-	-	-	-
Japanese Yen	-	-	-	-
Malaysian Ringgit	-	-	-	-
Mexican Peso	-	-	-	-
Norwegian Krone	-	-	-	-
Chinese Renminbi Yuan	-	-	-	-
Philippine Peso	-	-	-	-
Russian Rouble	-	-	-	-
Singapore Dollar	-	-	-	-
South African Rand	-	-	-	-
South Korean Won	-	-	-	-
Swedish Krona	-	-	-	-
Swiss Franc	-	-	-	-
Taiwan Dollar	-	-	-	-
Thai Baht	-	-	-	-
Turkish Lira	-	-	-	-
US Dollar	83,941	8.5219	91,094	76,788
Pooled Vehicles				
Overseas Equities	898,040	7.3303	963,869	832,210
Low Carbon Index	444,867	7.3303	477,477	412,256
Emerging Mrkts	50,371	6.7856	53,789	46,953
Total Currency*	1,575,559	7.3524	1,691,401	1,459,717

*The % change for Total Currency includes the impact of correlation across the underlying currencies

CITY & COUNTY OF SWANSEA PENSION FUND

23. INVESTMENT RISKS (continued)

and as at 31 March 2019:

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	-	-	-	-
Brazilian Real	-	-	-	-
Canadian Dollar	-	-	-	-
Danish Krone	-	-	-	-
EURO	69,058	8.1810%	74,708	63,408
Hong Kong Dollar	-	-	-	-
Indian Rupee	-	-	-	-
Indonesian Rupiah	-	-	-	-
Israeli Shekel	-	-	-	-
Japanese Yen	34,860	13.6681%	39,625	30,095
Malaysian Ringgit	-	-	-	-
Mexican Peso	-	-	-	-
Norwegian Krone	-	-	-	-
Chinese Renminbi Yuan	-	-	-	-
Philippine Peso	-	-	-	-
Russian Rouble	-	-	-	-
Singapore Dollar	-	-	-	-
South African Rand	-	-	-	-
South Korean Won	-	-	-	-
Swedish Krona	-	-	-	-
Swiss Franc	-	-	-	-
Taiwan Dollar	-	-	-	-
Thai Baht	-	-	-	-
Turkish Lira	-	-	-	-
US Dollar	69,287	9.9412%	76,175	62,399
North America Basket	175,447	8.7574%	190,812	160,082
Europe Basket	68,418	8.4071%	74,170	62,666
Asia Pacific ex Japan Basket	31,043	10.0177%	34,153	27,933
Emerging Basket	61,093	8.7726%	66,452	55,734
Total Currency*	509,206	6.0865%	540,199	478,213

*The % change for Total Currency includes the impact of correlation across the underlying currencies

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 represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

24. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified :

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of those events and their estimated financial effect.

Cost Management Process and McCloud Judgement

Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014. The Government Actuary's Department (GAD) has estimated the total scheme liability at 1.5% .

25. Covid 19

As the Covid 19 pandemic started its global spread early in 2020, global financial markets reflected the impending risks, with resultant material falls in valuations of most asset classes in February and March of 2020.

LGPS defined benefit pensions are not linked to stock market performance and are set out in statute. Although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer term impacts.

LGPS Scheme members can therefore be assured that both their contributions and their pension, whether in payment or built up to date, will be unaffected.

The lockdown imposed by HM Government on 23rd March 2020, presented operational hurdles for LGPS Administration Authorities, however with the implementation of contingency planning, leveraging the use of technology, flexible working and the professionalism and goodwill of staff, normal business has been maintained. The payment of members' pensions and the processing of pensioners/joiners has been prioritised and maintained throughout this period.

Employer/employee contributions have not been affected during this period, and the Administration Authority continues to liaise with employers to manage any cashflow issues which may arise.

CITY & COUNTY OF SWANSEA PENSION FUND

26. Further Information

Further information about the fund can be found in Appendices 2 to 4. Information can also be obtained from the Deputy Chief Finance Officer, Civic Centre, Oystermouth Road, Swansea SA1 3SN or on www.swanseapensionfund.org.uk.

27. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2020 .

CITY & COUNTY OF SWANSEA PENSION FUND

Appendix 1

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1ST APRIL 2019 TO 31ST MARCH 2020

Administering Authority	Contributors Number @ 31/03/20	Pensioners Number @ 31/03/20	Deferred Benefits Number @ 31/03/20	Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount
City & County of Swansea	12,028	6,961	5,503	25.8%
Scheduled Bodies				
Neath Port Talbot County Borough	5,702	4,155	4,440	27.1%
Briton Ferry Town Council	1	2	0	20.2% (+£1,300)
Cilybebyll Community Council	7	1	1	27.7%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	11	3	2	20.2% (+£5,700)
Gower College Swansea	619	299	465	21.8%
Lliw Valley BC	0	198	13	-
Margam Joint Crematorium Committee	9	12	4	20.2% (+ £10,100)
NPTC Group	583	290	474	17.7% (+ £180,400)
Neath Port Talbot Waste Management	0	1	0	-
Neath Town Council	12	17	5	20.2% (+ £17,400)
Pelenna Community Council	2	2	3	27.0% (+£1,300)
Pontardawe Town Council	4	2	0	23.0% (+£900)
Swansea Bay Port Health Authority	1	11	1	22.4% (+£4,400)
Swansea City Waste Disposal Company	0	15	3	-
University of Wales Trinity St Davids	114	167	235	28.0% (+£686,100)
West Glamorgan County Council	0	2,591	178	-
West Glamorgan Magistrates Courts	0	38	11	-
West Glamorgan Valuation Panel	0	4	0	-
Mumbles Community Council	2	0	0	18.9%
Admitted Bodies				
BABTIE	0	6	9	-
Celtic Community Leisure	146	40	198	13.2%
Colin Laver Heating Limited	0	2	2	-
Swansea Bay Racial Equality Council	0	1	4	37.0% (+£2,000)
The Careers Business	0	8	6	-
Wales National Pool	106	5	75	14.2%
West Wales Arts Association	0	1	0	-
Capgemini	0	1	4	-
Tai Tarian	328	114	119	17.0% (+£374,700)
Phoenix Trust	0	1	3	-
Llanrhidian Higher Community Council	1	0	0	18.2%
Ystalyfera Community Council	1	0	0	18.2%
Pobl Group	136	96	75	20.4%
Freedom Leisure	228	3	0	25.8%
Parkwood Leisure	8	1	0	25.8%
Rathbone CCS	0	0	3	25.2%
Rathbone Gower College	1	2	1	24.3%
Total	20,050	15,050	11,838	

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2019/20

Statutory Instruments

12 March 2019 – The Pensions Increase Review Order 2019. In accordance with the Pension Increase (Review) Order 2019 - This Order came into force 8 April 2019 and makes provision for the annual increase of official pensions (as defined in the Pensions (Increase) Act 1971). The Order provides for an increase of 2.4 per cent from 8 April 2019 for all official pensions, except for those, which have been in payment for less than a year, which will receive a pro-rata increase.

April 2019 - THE PUBLIC SERVICE PENSIONS REVALUATION ORDER 2019 – prepared by HM Treasury and laid before the House of Commons by Command of Her Majesty. This Order specifies the annual percentage change in prices, and earnings, to be applied for the purposes of revaluation required by schemes under the Public Service Pensions Act 2013 (“the Act”) in relation to the period 1 April to 31 March and applies to Career Average Revalued Earnings Schemes. The prices metric that was used for revaluation from April 2018 to 31 March 2019 inclusive is the September 2018 CPI figure, which represents an increase of 2.4%. CPI is the Government’s preferred measure of change in prices for the indexation of public service pensions in payment and deferment.

1 April 2019 - LGPS Additional Pension purchase limit applicable for 2019/20 in England and Wales - Regulations 16(6) and 31(2) of the LGPS Regulations 2013 state that the additional pension limit is increased on the 1 April each year as if it were a pension beginning on 1 April 2013 to which the Pensions (Increase) Act 1971 applied. The pensions increase due at the 1 April 2019 is that from 09 April 2018 (since the 2019 PI date is the 8 April 2019) and so the current additional pension limit of £6,822 is increased by 1% to £7,026 from the 1 April 2019.

06 April 2019 - THE AUTOMATIC ENROLMENT (EARNINGS TRIGGER AND QUALIFYING EARNINGS BAND) ORDER 2019 prepared by the Department for Work and Pensions and laid before Parliament by Command of Her Majesty. This sets out revised amounts for the 2019/20 tax year for the upper and lower thresholds of the automatic enrolment qualifying earnings band, and rounded figures for the earnings trigger and qualifying earnings band. It has been concluded that the amounts for the qualifying earnings band should continue to be aligned with the National Insurance Contributions Lower and Upper Earnings Limits for the tax year 2019/20 and that the automatic enrolment earnings trigger should remain at £10,000.

CITY & COUNTY OF SWANSEA PENSION FUND

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2019/20 Cont'd

06 April 2019 - THE SOCIAL SECURITY (CONTRIBUTIONS) (RATES, LIMITS AND THRESHOLDS AMENDMENTS AND NATIONAL INSURANCE FUNDS PAYMENTS) REGULATIONS 2019 prepared by HM Revenue and Customs and laid before Parliament by Command of Her Majesty. This instrument gives effect to the annual re-rating of various National Insurance contributions (NICs) rates, limits and thresholds for the purposes of calculating Class 1, Class 2, Class 3 and Class 4 NICs liability (or voluntary payment) for the tax year beginning 6 April 2019. It also allows for payments of a Treasury Grant not exceeding 5 per cent of the estimated benefit expenditure for the 2019-20 tax year to be paid into the National Insurance Fund.

6 April 2019 -The Guaranteed Minimum Pensions Increase Order 2019 - This Order specifies the percentage by which that part of any guaranteed minimum pension attributable to earnings factors for the tax years 1988-89 to 1996-97 and payable by contracted-out, defined benefit occupational pension schemes. This instrument specifies that the GMP is to be increased by 2.4 per cent from 06 April 2019 in accordance with Section 109(3) of the Pension Schemes Act 1993 (c. 48).

April 2019 - The Employment Rights (Increase of Limits) Order 2019 [SI 2019/324] - comes into force on **6 April 2019**. It increases the maximum 'week's pay' for calculating a statutory redundancy payment from £508 per week to £525 per week where the appropriate date falls on or after 6 April 2019. In the case of entitlement to a redundancy payment by virtue of section 135(1)(a) [dismissal by reason of redundancy] or section 135(1)(b) [lay-off or short time] of the Employment Rights Act 1996, the appropriate date means the relevant date as defined by, respectively, sections 145 or 153 of that Act.

6 April 2019 - Annual allowance and lifetime allowance limits applicable from 6 April 2019 - The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019 [SI 2019/29] amends the Lifetime Allowance limit to £1,055,000 with effect from the 6 April 2019. The Annual Allowance, as defined by the Finance Act 2004 (as amended), remains unchanged at £40,000 for 2019/20.

June 2019 - The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 – as prepared by the DWP and laid before Parliament by Command of Her Majesty. This instrument updates regulation 29A of the Disclosure Regulations to require schemes to make their policy on the arrangements with asset managers available free of charge on a website to the public.

CITY & COUNTY OF SWANSEA PENSION FUND

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2019/20 Cont'd

June 2019 – The Pensions Administration Standards Association (PASA) publish cyber security guidance for pension schemes - On 6 June 2019 PASA announced the publication of its cyber security guidance for pension schemes. The guidance provides practical support for trustees in formulating a robust and effective review of how they safeguard their scheme from cyber security issues. It covers five main sections - Risk Assessment, Governance, Risk Management, Controls and Incident Management.

02 October 2019 – The Pension Regulator Initiative to improve data Quality - On 2 October 2019, the Pensions Regulator (TPR) announced a crackdown on poor record keeping. TPR is in the process of contacting 400 schemes that it believes have not reviewed their data in the past three years. TPR will ask those schemes to conduct a data review within six months. We understand that some LGPS administering authorities are included in that group and that TPR planned to contact those affected by 25 October. TPR will contact a further 1,200 schemes to remind them to carry out data reviews of common and scheme-specific data every year.

November 2019 - The Local Government Pension Scheme (Amendment) Regulations 2019 [SI 2019/1449] - The regulations were laid before Parliament on 5 November 2019 and are effective from 31 December 2019. They amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing survivor benefits payable under the earlier regulations for opposite-sex civil partnerships. A person who is the surviving opposite-sex civil partner of a deceased member will be provided with a survivor pension calculated on the basis that the survivor is a widow or widower, depending on their gender.

November 2019 - The Civil Partnership (Opposite-sex Couples) Regulations 2019 [SI 2019/1458] - On 5 November 2019 the Government made the Civil Partnership (Opposite-sex Couples) Regulations 2019 [SI 2019/1458], which are effective from 2 December 2019. This means that an opposite-sex couple can give notice of a proposed civil partnership on 2 December 2019 after which the 28-day waiting period will commence (section 11 of The Civil Partnership Act 2004). This means an opposite sex civil partnership registration can take place from 31 December 2019.

November 2019 - Equitable Life transfers to Utmost Life and Pensions - Following the High Court hearings on 22 and 25 November 2019, court approval to transfer the business of Equitable Life to Utmost Life and Pensions was received on 4 December 2019. Scheme policyholders and 'eligible members' voted overwhelmingly in favour of the proposed changes.

CITY & COUNTY OF SWANSEA PENSION FUND

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2019/20 Cont'd

December 2019 – Pension Schemes Bill - It was announced during the Queen's Speech on 19 December that the Pension Schemes Bill would be reintroduced. The Bill will create a legislative framework for the introduction of pension's dashboards, to strengthen the Pensions Regulator's powers to take action against employers and introduce regulations covering the right to a pension transfer

March 2020 – The Local Government Pension Scheme (Amendment) Regulations 2020 – Regulations came into force on 20 March 2020 but the effects are backdated to 14 May 2019 (the date that the Exit Credit Regulations were introduced). The Regulations give Administering Authorities the discretion to pay an exit credit after taking into account factors such as level of risk that the employer was exposed to during the participation of the fund and the value of the contributions paid to the fund.

The Wales Pension Partnership

In July 2015 the Chancellor announced the Governments' intention to work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance.

The Wales Pension Partnership (WPP) comprises the 8 LGPS funds in Wales, namely Cardiff & Vale of Glamorgan Pension Fund, City & County of Swansea Pension Fund, Clwyd Pension Fund, Dyfed Pension Fund, Greater Gwent Pension Fund, Gwynedd Pension Fund, Powys Pension Fund and RCT Pension Fund.

The progress made over the past twelve months reflects the eight Welsh Constituent Authorities ability to work together to deliver their shared set of objectives. Some significant milestones have been achieved during the year, including work on Investments, Governance, Communications and Training.

The WPP aims to deliver investment solutions that allow each Constituent Authority to implement their own investment strategies with material cost savings, while continuing to deliver investment performance to their stakeholders. The WPP has made significant progress towards delivering on this objective by launching and facilitating three active equity sub-funds, which can be utilised by the Constituent Authorities, namely, Global Growth, Global Opportunities and UK Opportunities. All eight of the Constituent Authorities have made use of at least one of the sub-funds. The WPP will continue to develop sub-funds for the benefit of the Constituent Authorities, in collaboration with Link Fund Solutions Ltd and Russell Investments. The WPP is proud of its progress to date with regard to the pooling of assets and will continue to allocate resources to ensure that all suitable assets are pooled. To date the WPP has "pooled" 50% of its assets and by the end of March 2021 the WPP expects to have "pooled" more than 70%.

The WPP has also continued to develop a robust governance framework by identifying the need for a set of shared beliefs to guide the decision making process and policies. The WPP hosted a Beliefs workshop where all Constituent Authorities collectively formulated the Beliefs Statement, this can be found on the website. The Governance Matrix was also formulated and provides an overview of the WPP's governance structure and outlines the internal bodies that are responsible for key decisions and actions carried out by the partnership. In another progressive move Hymans Robertson LLP were appointed by WPP in January 2020 to provide oversight and advice on the governance arrangements, operator services and strategic investment strategy of the pool.

The WPP believes that Responsible Investment, alongside consideration and evidential management of Environmental, Social and Governance issues, should result in better outcomes for its stakeholders, hence it has been a key priority since the WPP was established in 2017.

Various activities have been carried out this year to work towards the ambition of the WPP becoming a leader in Responsible Investment. The initial focus was on formulating a Responsible Investment Policy. This Policy is representative of the broad range of investment beliefs within the Pool and all of the Constituent Authorities were involved in formulating the policy.

The Wales Pension Partnership cont'd

Over the next 12 months, the WPP will continue to deliver on the commitments made in the Policy. This will include the production of a Climate Risk Policy which is in development. The appointment of Robeco UK in March 2020, evidenced WPP's delivery of this commitment and also demonstrated the vow to exercise voting rights in line with the interests of stakeholders and engage with investee companies to enhance the long-term value of the Constituents Authorities' investments within WPP.

Improving the WPP's communication has been a key work stream during the last 12 months, the WPP website was launched in September 2019 and is an excellent tool to learn and understand about the Pool, to keep track of recent activities and to read about the policies, procedures and governance arrangements. The website can be found at :

<https://www.walespensionpartnership.org/>

In addition, WPP held a communication workshop during the year to study different communication methods and formulated its Communication Policy and subsequently launched a LinkedIn page for informal updates.

To improve levels of engagement with external and internal stakeholders, WPP hosted its first Manager Engagement day which focussed on the global equity managers, this led to a second Manager Engagement day with incumbent Fixed Income managers.

Also, in collaboration with the Constituent Authorities, the WPP was able to formulate its first Annual Training Plan and host its first training day in February 2020.

A work plan of the areas that the WPP will focus on during the 2020/2021 financial year is currently being developed as part of the Annual Business Plan. This includes the launch of the WPP Fixed Income and Emerging Markets sub funds and also the continuing development of the Private Market offerings to include real estate, infrastructure and social impact.

Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2020 comprised of :

- 7 Council Members (one member from Neath Port Talbot CBC representing other scheme members) advised by:
- Section 151 Officer
- Deputy Section 151 Officer
- 1 Independent Adviser (retired November 2019 and not replaced)
- Investment Consultancy Service

The Committee, after taking account of the views of the independent advisers and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund has implemented a fully diversified investment approach with a view to reducing the volatility of investment returns, whilst maintaining above benchmark growth. The fund employs the services of specialist managers to outperform in each asset class invested in.

The investment managers currently are:

- Global Equities - Wales Pension Partnership, Aberdeen Standard & Blackrock
- Equity Protection Mandate - Russell Investments
- Global Bonds - Goldman Sachs Asset Management and Blackrock
- Fund of Hedge Funds - BlackRock and EnTrustPermal
- Fund of Private Equity Funds - Harbourvest
- European Property Fund - Invesco
- Fund of Property Funds - Partners Group and Schrodgers Investment Management
- Fund of Infrastructure Funds - First State Investments (UK) Ltd & Blackrock
- Fund of Private Debt - Alcentra & CVC Credit Partners

Other Fund Documents

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Copies of the :

- Investment Strategy Statement
- Governance Statement
- Funding Strategy Statement
- Communication Policy
- Administration Strategy Statement
- Environmental, Social, Governance Policy

are available on request from the City & County of Swansea Pension Fund website
<http://www.swanseapensionfund.org.uk/>