

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 2017.
- 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

Where the money comes from:-	£'000		And where it goes.....	£'000
Contributions and transfers in	85,562		Pensions Payable Lump sum benefits	58,454
Other	194		Refunds and transfers out	17,779
			Administrative expenses	4,870
	<u>85,756</u>			<u>82,244</u>
			Net new money into the Fund	3,512
			Net return on investments	337,412
			Increase in Fund value	<u><u>340,924</u></u>

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Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 154 to 193 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2017.



12/06/17

Ben Smith
Head of Financial Services

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Fund Account For The Year Ended 31st March

2015/16 £'000	Contributions and benefits	Notes	2016/17 £'000	£'000
	Contributions receivable :			
61,743	Employers contribution	3	64,818	
16,649	Members contribution	3	16,903	81,721
2,451	Transfers in	4		3,841
119	Other income	5		194
80,962				85,756
	Benefits payable :			
-56,555	Pensions payable	6	-58,454	
-16,357	Lump sum benefits	6	-17,779	-76,233
	Payments to and on account of leavers :			
-127	Refunds of contributions	7	-120	
-4,718	Transfers out	7	-4,750	-4,870
-1,033	Administrative expenses	8		-1,141
2,172	Net additions from dealing with members			3,512
	Returns on investments			
26,214	Investment income	9		29,838
-50,884	Change in market value of investments	12		313,086
-4,662	Investment management expenses	8		-5,512
-29,332	Net returns on investments			337,412
-27,160	Net Increase in the fund during the year			340,924
1,539,789	Opening Net Assets of the Fund			1,512,629
1,512,629	Closing Net Assets of the Fund			1,853,553

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Net Assets Statement As At 31 March

31st March 2016		31st March 2017
£'000	Notes	£'000
Investments at market value:		
1,445,832 Investment Assets	11	1,778,010
99 Cash Funds	12	1,664
62,783 Cash Deposits	12	67,561
3,137 Other Investment Balances - Dividends Due	12	3,211
1,511,851 Sub Total		1,850,446
6,592 Current Assets	16	7,402
-5,814 Current Liabilities	16	-4,295
1,512,629 Net assets		1,853,553

The financial statements on pages 154 to 189 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 2016/17 financial year and its position at year-end 31 March 2017. The financial statements have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* 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.

(d) Investments

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

2. Accounting Policies (continued)

- 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.
- viii) Transaction costs are included in the cost of purchases and sales proceeds.
- 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) Cash and Cash Funds

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

g) 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.

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2. Accounting Policies (continued)

h) 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 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

- Actuarial present value of promised retirement benefits

i) 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.

j) Other

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

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3. Analysis of Contributions

Total Contributions		Total Contributions
2015/16 £'000		2016/17 £'000
<u>Administering Authority</u>		
<u>43,983</u>	City & County of Swansea	<u>46,623</u>
<u>Admitted Bodies</u>		
378	Celtic Community Leisure	364
9	Colin Laver Heating Limited	0
18	Swansea Bay Racial Equality Council	42
111	Wales National Pool	117
25	Capgemini	0
2,614	NPT Homes	2,547
895	Grwp Gwalia	676
23	Rathbone Training Ltd (CCS)	11
36	Rathbone Training Ltd (Gower College)	36
<u>4,109</u>	Total Admitted Bodies	<u>3,793</u>
<u>Scheduled Bodies</u>		
7	Cilybebyll Community Council	8
17	Coedffranc Community Council	29
1,662	Gower College	1,737
1,735	NPTC Group	1,700
68	Neath Town Council	71
25,001	Neath Port Talbot County Borough Council	26,087
27	Margam Joint Crematorium Committee	37
5	Pelenna Community Council	5
15	Pontardawe Town Council	16
40	Swansea Bay Port Health Authority	28
1,723	University of Wales Trinity St Davids	1,584
0	Briton Ferry Town Council	3
0	Llanrhidian Higher Community Council	2
0	Ysalyfera Community Council	1
<u>30,300</u>	Total Scheduled Bodies	<u>31,305</u>
<u>78,392</u>	Total Contributions Receivable	<u>81,721</u>

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3. Analysis of Contributions (continued)

Total Employer/Employee contributions comprise of:

2015/16		2016/17
£'000		£'000
Employers		
58,800	Normal	60,780
0	Other	0
2,943	Early Access	4,038
<u>61,743</u>	Total	<u>64,818</u>
Employees		
16,612	Normal	16,863
37	Other	40
<u>16,649</u>	Total	<u>16,903</u>
<u>78,392</u>	Total Contributions Receivable	<u>81,721</u>

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4. Transfers In

Transfers in comprise of:

2015/16		2016/17
£'000		£'000
65	Group transfers from other schemes	0
2,386	Individual transfers from other schemes	3,841
<u>2,451</u>	Total	<u>3,841</u>

5. Other Income

Other income comprise of:

2015/16		2016/17
£'000		£'000
127	Bank Interest	200
-8	Early Access - Interest	-6
<u>119</u>	Total	<u>194</u>

6. Benefits Payable

By category

2015/16		2016/17
£'000		£'000
56,555	Pensions	58,454
14,165	Commutation and lump sum retirement benefits	15,417
2,192	Lump sum death benefits	2,362
<u>72,912</u>	Total	<u>76,233</u>

7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2015/16		2016/17
£'000		£'000
127	Refunds to members leaving service	120
4,718	Individual transfers to other schemes	4,750
<u>4,845</u>	Total	<u>4,870</u>

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8. Administrative and Investment Management Expenses

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

2015/16 £'000		2016/17 £'000
	Administrative Expenses	
684	Support Services (SLA) & Employee Costs	690
30	Printing & Publications	18
168	Other	169
<u>882</u>		<u>877</u>
	Oversight & Governance	
18	Actuarial Fees	55
43	Advisors Fees	45
50	External Audit Fees	50
26	Performance Monitoring Service	10
9	Pension Fund Committee	6
5	Pension Board	1
0	All Wales Pool Fees	97
<u>151</u>		<u>264</u>
	Investment Management Expenses	
4,117	Management Fees	4,894
437	Performance Fees	494
108	Custody Fees	124
<u>4,662</u>		<u>5,512</u>
<u>5,695</u>	Total	<u>6,653</u>

The above represents direct fees payable to the appointed fund managers, however the following mandates are appointed via a fund of funds/manager of managers approach and the table below represents the fees payable to underlying managers. Returns for these mandates are net of underlying fee costs. However for disclosure purposes the fees incurred were:

2015/16 £'000		2016/17 £'000
199	Partners Group	277
353	Blackrock	678
1230	Schroders Property Fund	1,300
726	Permal	733
706	HarbourVest	715
<u>3,214</u>	Total	<u>3,703</u>

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9. Investment Income

2015/16	2016/17
£'000	£'000
13,301 U.K. Equities	15,596
8,066 Overseas Equities	9,169
3,909 Managed Fund - Fixed Interest	3,854
936 Pooled Investment vehicles - Property Fund	1,289
2 Interest	-70
<u>26,214</u> Total	<u>29,838</u>

The assets under management by Legal and General are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of 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.

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11. Investment Assets

	31st March 2016			31st March 2017		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
Equities						
Quoted	342,618	344,274	686,892	414,015	456,711	870,726
Pooled investment vehicles						
Managed Funds:						
Quoted:						
Equity	0	13,386	13,386	0	16,585	16,585
Fixed Interest	0	113,351	113,351	0	118,328	118,328
Unquoted:						
Equity	122,374	235,026	357,400	149,787	315,506	465,293
Fixed Interest	56,862	15,412	72,274	60,643	16,349	76,992
Index-linked	26,923	0	26,923	32,282	0	32,282
Property Unit Trust	13,204	0	13,204	12,053	0	12,053
Property Fund	34,956	36,524	71,480	36,162	39,025	75,187
Hedge Fund	0	48,494	48,494	0	52,318	52,318
Private Equity	0	42,428	42,428	0	58,246	58,246
Total pooled investment vehicles	254,319	504,621	758,940	290,927	616,357	907,284
Total equities and pooled investment vehicles	596,937	848,895	1,445,832	704,942	1,073,068	1,778,010
Cash Funds			99			1,664
Cash			62,783			67,561
Other Investment Balances Due			3,137			3,211
Total			1,511,851			1,850,446

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11. Investment Assets (continued)

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

31st March 2016 £'000	Investment assets	31st March 2017 £'000
185,625	Fixed interest	195,320
26,923	Index linked securities	32,282
464,992	U.K. equities	563,802
592,686	Overseas Equities	788,802
84,684	Property	87,240
48,494	Hedge Funds	52,318
42,428	Private Equity	58,246
<u>1,445,832</u>	Total investment assets	<u>1,778,010</u>

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12. Reconciliation of movements in investments

	Value at 31st March 2016	Purchases	Sales	Change in Market Value	Value at 31st March 2017
	£'000	£'000	£'000	£'000	£'000
Equities					
Aberdeen	100,275	15,056	-13,258	28,894	130,967
JPM	262,540	271,136	-266,026	82,602	350,252
Schroders	337,463	65,696	-58,375	61,308	406,092
L&G	357,400	1,290	-703	107,306	465,293
	<u>1,057,678</u>	<u>353,178</u>	<u>-338,362</u>	<u>280,110</u>	<u>1,352,604</u>
Property					
UK					
Schroders	48,160	4,883	-5,188	360	48,215
Partners	23,906	1,326	-3,780	3,751	25,203
Invesco	12,618	0	-494	1,698	13,822
	<u>84,684</u>	<u>6,209</u>	<u>-9,462</u>	<u>5,809</u>	<u>87,240</u>
Fixed Interest					
Fixed Interest					
L&G	72,274	0	-720	5,438	76,992
Goldman	113,351	3,854	0	1,123	118,328
	<u>185,625</u>	<u>3,854</u>	<u>-720</u>	<u>6,561</u>	<u>195,320</u>
Index-Linked					
L&G	26,923	0	0	5,359	32,282
	<u>26,923</u>	<u>0</u>	<u>0</u>	<u>5,359</u>	<u>32,282</u>
Hedge Funds					
BlackRock	25,733	0	-378	2,235	27,590
Fauchier	22,761	0	-213	2,180	24,728
	<u>48,494</u>	<u>0</u>	<u>-591</u>	<u>4,415</u>	<u>52,318</u>
Private Equity					
HarbourVest	42,428	13,313	-8,325	10,830	58,246
	<u>42,428</u>	<u>13,313</u>	<u>-8,325</u>	<u>10,830</u>	<u>58,246</u>
Cash funds					
Schroders	99	4,160	-2,597	2	1,664
	<u>99</u>	<u>4,160</u>	<u>-2,597</u>	<u>2</u>	<u>1,664</u>
Total	<u>1,445,931</u>	<u>380,714</u>	<u>-360,057</u>	<u>313,086</u>	<u>1,779,674</u>
Cash	62,783				67,561
Other Investment Balances -					
Dividends Due	3,137				3,211
TOTAL	<u>1,511,851</u>			<u>313,086</u>	<u>1,850,446</u>

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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 £264k (2015/16: £180k). 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 2017:

	Value as at the 31st March 2016 £'000	Proportion of Net Asset %	Value as at the 31st March 2017 £'000	Proportion of Net Asset %
L&G UK Equity Index	122,374	8.1	149,787	8.1
Goldman Sachs Global Libor Plus II	113,351	7.5	118,328	6.4
L&G North America Equity Index	108,446	7.2	146,379	7.9

14. Realised Profit on the Sale of Investments

2015/16 £'000	2016/17 £'000
-3,917 U.K. Equities	9,312
2,377 Overseas Equities	39,557
946 Property Fund	2,286
11 Cash Fund	2
<u><u>-583</u></u> Net Profit	<u><u>51,157</u></u>

15. Fixed Interest and Index Linked Investments

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

31st March 2016 £'000	31st March 2017 £'000
112,350 UK Public Sector	147,948
100,198 Other	79,654
<u><u>212,548</u></u>	<u><u>227,602</u></u>

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16. Current Assets and Liabilities

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

31st March		31st March
2016		2017
£'000		£'000
Current Assets		
603	Contributions - Employees	593
2,084	Contributions - Employers	2,594
2,143	Early Access Contributions Debtor	2,565
306	Transfer Values	406
1,456	Other	1,244
<u>6,592</u>		<u>7,402</u>
Current Liabilities		
-930	Investment Management Expenses	-547
-2,493	Commutation and lump sum retirement benefits	-1,970
-427	Lump sum death benefits	-44
-328	Transfers to Other Schemes	-677
-602	Payroll Deductions - Tax	-602
-695	Payable Control List	-30
-339	Other	-425
<u>-5,814</u>		<u>-4,295</u>
<u>778</u>	Net	<u>3,107</u>

Analysed as:

31st March		31st March
2016		2017
£'000		£'000
Current Assets		
573	Central Government Bodies	511
5,310	Other Local Authorities	6,039
709	Other Entities and Individuals	852
<u>6,592</u>		<u>7,402</u>
Current Liabilities		
-48	Central Government Bodies	-216
-1,490	Other Local Authorities	-739
-4,276	Other Entities and Individuals	-3,340
<u>-5,814</u>		<u>-4,295</u>
<u>778</u>	Net	<u>3,107</u>

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16. Current Assets & Liabilities (continued)

Early Access Debtor

	Instalment Due 2017/18 £'000	Instalment Due 2018/19 £'000	Instalment Due 2019/20 £'000	Instalment Due 2020/21 £'000	Total £'000
Early Access Principal Debtor	2,728	4	3	0	2,735
Early Access Interest Debtor	1	0	0	0	1
Total (Gross)	2,729	4	3	0	2,736

17. Capital and Contractual Commitments

As at 31st March 2017 the Scheme was committed to providing funding to appointed managers investing in unquoted securities. These commitments amounted to £70.0m (2015/16 : £81.0m).

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18. Statement of the Actuary for the year ended 31 March 2017

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 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013.

Actuarial Position

1 The valuation as at 31 March 2016 showed that the funding ratio of the Fund was broadly similar to the funding ratio as at the previous valuation, with the market value of the Fund's assets at 31st March 2016 (of £1,512.6M) covering 80% of the liabilities in respect of service prior to the valuation date allowing, in the case of pre 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

2 The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:

- 18.0% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate).

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 22 years from 1 April 2017 (the secondary rate), equivalent to 7.0% of pensionable pay (or £20.1M in 2017/18, and increasing by 3.5% p.a. thereafter).

3 In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the respective employers.

4 The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer was agreed with the administering authority reflecting the employers' circumstances.

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

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18. Statement of the Actuary for the year ended 31 March 2017 (continued)

Discount rate for periods in service

Scheduled body employers *	4.6% p.a.
Orphan body employers	4.6% p.a.

Discount rate for periods after leaving service

Scheduled body employers *	4.6% p.a.
Orphan body employers	2.5% p.a.
Rate of pay increase	3.5% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increase in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% 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 orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

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) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions, 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 were :

	Men	Women
Current pensioners aged 65 at the valuation date	22.8	24.3
Future pensioners aged 45 at the valuation date	24.4	26.1

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. 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.

CITY & COUNTY OF SWANSEA PENSION FUND

18. Statement of the Actuary for the year ended 31 March 2017 (continued)

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

9. The report on the actuarial valuation as at 31 March 2016 is available from the Fund's website at the following address:

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

Aon Hewitt Limited
May-17

Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice also requires the actuarial present value of the promised retirement benefits to be disclosed based on IAS26 and using assumptions relevant to IAS19 and not the funding assumptions above. The actuarial present value of the promised retirement benefits on this basis as at 31st March 2016 is £2,249.7m (31st March 2013 £1,936.8m), which compares the market value of the assets at that date of £1,512.6m (31st March 2013 £1,277.6m).

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 future point in time, after which it is expected that the Administering Authority will have no access to future contributions in respect of the employer's liabilities in the Fund once any liability on cessation has been paid.

Scheduled Body

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

18. Actuarial Present Value of Promised Retirement Benefits - Statement of the Actuary for the year ended 31 March 2017 (continued)

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.

Certificate of the Actuary Regarding the Contributions Payable by the Employing

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (the "Administration Regulations"), we certify that contributions should be paid by Employers at the following rates for the period 1st April 2014 to 31st March 2017.

- i) A common rate of 16.2% of Pensionable Pay.
- ii) Individual adjustments which, when added to or subtracted from the common rate, produce the following 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 2017 (continued)

Employer	Year Commencing 1 April		
	2014 % Pensionable Pay	2015 % Pensionable Pay	2016 % Pensionable Pay
Scheduled bodies			
City & County of Swansea	22.4	22.4	22.4
Neath Port Talbot County Borough	22.5	23.0	24.0
Pontardawe Town Council	19.7	19.7	19.7
Cilybebyll Community Council	20.5	20.5	20.5
Pelenna Community Council	21.9	23.6	25.3
Swansea Bay Port Health Authority	22.4	22.4	22.4
Neath Port Talbot Homes	16.2	16.2	16.2
Grwp Gwalia Cyf	20.4	20.4	20.4
Colin Laver Heating Limited	19.7	19.7	19.7
Swansea Bay Racial Equality Council	27.2	30.8	34.3
Celtic Community Leisure	11.1	11.1	11.1
Wales National Pool	14.5	14.5	14.5
Cap Gemini	18.7	18.7	18.7

Employer	Contribution rate 1 April 2014 to 31 March 2017 % Pensionable Pay	Additional monetary amount Year commencing 1 April		
		2014 £	2015 £	2016 £
Scheduled bodies				
Margam Joint Crematorium Committee	19.2	4,600	4,800	5,000
Coedffranc Community Council	19.2	3,700	3,850	4,000
Neath Town Council	19.2	15,100	15,700	16,300
Gower College	15.4	164,400	170,800	177,500
NPTC Group	14.7	151,900	157,800	164,000
Admission bodies				
Trinity St Davids	22.4	225,000	450,000	481,000

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 should 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. Any adjustment should be as advised by the Fund Actuary.

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, payable over a period of up to three years and Employers will be notified of such contributions separately by the Administering Authority.

The contributions rates for the City & County of Swansea and for Neath Port Talbot County Borough Council 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.

Contribution rates for Employers commencing participation in the Fund after 31 March 2013 will be advised separately.

19. Related party transactions

£690k (£684k 2015/16) 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 161.

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 35 scheduled and admitted bodies. Management of the Pension Scheme Investment Fund is undertaken by a panel. The panel is advised by two independent advisors.

Governance

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.

CITY & COUNTY OF SWANSEA PENSION 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 section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only.

AVC Provider	Value of Funds at 1st April 2016	Purchases at Cost (Contributions In/Out)	Sale Proceeds	Change in Market Value	Value of Funds at 31st March 2017
	£'000	£'000	£'000	£'000	£'000
Prudential	4,225	1,719	-1,048	330	5,226
Aegon	1,351	51	-163	-15	1,224
Equitable Life	296	2	-38	19	279
Totals	5,872	1,772	-1,249	334	6,729

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 2017 there were 17,903 contributors, 12,200 pensioners and 11,583 deferred pensioners.

Membership statistics	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017
	Number	Number	Number	Number	Number
Contributors	14,586	15,576	16,285	17,469	17,903
Pensioners	10,432	10,833	11,261	11,745	12,200
Deferred Pensioners	8,815	9,663	9,801	11,226	11,583
Total	33,833	36,072	37,347	40,440	41,686

See Appendix 1 for current year analysis

22. Fair Value of Investments

Financial Instruments

The Fund invests mainly through pooled vehicles with the exception of three segregated equity mandates. 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.

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 - quoted prices for similar instruments.
- Level 2 - directly observable market inputs other than Level 1 inputs.
- Level 3 - inputs not based on observable market data.

The table on the following page shows the position of the Fund's assets at 31st March 2016 and 2017 based upon this hierarchy:

CITY & COUNTY OF SWANSEA PENSION FUND

22. Fair Value of Investments (continued)

FAIR VALUE - HIERARCHY

	31 March 2016		31 March 2017		
	Market Value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Market Value £'000
Equities					
UK Equities	342,618	342,618	-	-	414,015
Overseas Equities	344,274	344,274	-	-	456,711
Pooled Investment Vehicles					
Fixed-Interest Funds					
UK Equity	113,351	113,351	-	-	118,328
Overseas Equity	122,374	-	-	122,374	149,787
Fixed Interest	248,412	13,386	-	235,026	332,091
Index-linked	72,274	-	-	72,274	76,992
Property Unit Trust	26,923	-	-	26,923	32,282
Property Fund	13,204	-	-	13,204	12,053
Hedge Fund	71,480	-	-	71,480	75,187
Private Equity	48,494	-	-	48,494	52,318
Infrastructure	42,428	-	-	42,428	58,246
	-	-	-	-	-
Cash	62,882	62,882	-	-	69,225
Other Investment Balances -					
Dividends Due	3,137	3,137	-	-	3,211
Total	1,511,851	879,648	-	632,203	1,850,446
					1,078,075
					772,371

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 2009 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 Statement of Investment Principles (SIP) 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 with no single active manager managing more than 25% of Fund assets. 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 £118,328k is managed (by Goldman Sachs) on an unconstrained basis and has a significant exposure to credit, emerging market debt and loans. At 31st March 2017, the Fund's exposure to non-investment grade paper was 7.4% 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 £58,246K 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 2017 is set out below with their relative exposure to credit risk.

	March 2017 £'000	Credit Exposure
Permal	24,728	0.80%
Blackrock	27,590	23.2%

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 84.1% 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 2017 by liquidity profile.

	Amounts at 31st March 2017 £000s	Within 1 month £000s	1-3 months £000s	4-12 months £000s	> 1 Year £000s
Equities					
UK Equities	414,015	414,015	0	0	0
Overseas Equities	456,711	456,711	0	0	0
Pooled Investment Vehicles					
Fixed-Interest Funds	118,328	118,328	0	0	0
UK Equity	149,787	149,787	0	0	0
Overseas Equity	332,091	332,091	0	0	0
Fixed Interest	76,992	76,992	0	0	0
Index-linked	32,282	32,282	0	0	0
Property Unit Trust	12,053	0	0	12,053	0
Property Fund	75,187	0	0	36,162	39,025
Hedge Fund	52,318	0	0	52,318	0
Private Equity	58,246	0	0	0	58,246
Infrastructure	0	0	0	0	0
Deposits with banks and other financial institutions	69,225	69,225	0	0	0
Other Investment Balances - Dividends Due	3,211	3,211	0	0	0
Total	1,850,446	1,652,642	0	100,533	97,271

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 89% of the portfolio is realisable within 1 month and 95% 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.

- 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 2017 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		
UK Equities	34% +/- 5%	14% L&G	20% Schroders	FTSE allshare	+3% p.a. over rolling 3 year
Overseas Equities	34% +/- 5%	13% L&G	21% JP Morgan & Aberdeen Aberdeen	MSCI World all share (ex UK) MSCI Frontier Markets Index	+3% p.a. over rolling 3year +% p.a. over rolling 3year
Global Fixed Interest	15% +/- 5%	6% L&G	9% 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%	-	5% Blackrock & Permal (formerly Fauchier)	LIBOR	+4%
Private Equity	3% +/- 5%	-	3% Harbourvest	FTSE allshare	+3% p.a. over 3 year rolling
Infrastructure	2% +/- 5%	-	2% To be Appointed	TBD	TBD
Cash	2% +/- 5%	-	2% In house and cash flows of fund managers	7day LIBID	=
TOTAL	100%	33%	67%		

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 2009. The Fund also adopts a specific strategic benchmark (details can be found in the Fund's SIP 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.

Due to volatility in the equity markets, there was an imbalance of 3.6% over allocation to overseas equities as at 31st March 2017.

Permanent rebalancing will be considered in light of market reversion and inherent cost of rebalancing, in line with full investment strategy review following the triennial valuation July 2017/18.

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 2017 would have been as follows:

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	563,802	9.10%	614,912	512,692
Overseas Equities	788,802	9.70%	865,012	712,592
Total Bonds & Index-Linked	227,602	6.00%	241,359	213,845
Cash	69,225	4.50%	115,558	105,570
Property	87,240	1.20%	70,052	68,398
Alternatives	110,564	3.20%	90,033	84,447
Other Investment Balances	3,211	0.00%	3,211	3,211
Total Assets*	1,850,446	6.50%	1,970,170	1,702,722

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

and as at 31st March 2016 :

Price Risk

Asset Type	Value (£'000)	% Change	Value on Increase	Value on Decrease
UK Equities	464,992	10.86%	515,490	414,494
Overseas Equities	592,686	9.91%	651,421	533,951
Total Bonds & Index-Linked	212,548	2.63%	218,138	206,958
Cash	62,882	0.01%	62,888	62,876
Property	84,684	3.22%	87,411	81,957
Alternatives	90,922	4.12%	94,668	87,176
Other Investment Balances	3,137	0.00%	3,137	3,137
Total Assets*	1,511,851	6.96%	1,617,034	1,406,668

**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 2017:

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	7,178	11.20%	7,982	6,374
Brazilian Real	5,592	20.90%	6,761	4,423
Canadian Dollar	5,607	9.10%	6,119	5,095
Danish Krone	2,928	9.00%	3,191	2,665
EURO	100,151	9.00%	109,118	91,184
Hong Kong Dollar	12,098	8.90%	13,180	11,016
Indian Rupee	2,602	9.60%	2,852	2,352
Indonesian Rupiah	2,134	12.30%	2,396	1,872
Israeli Shekel	2,364	8.40%	2,563	2,165
Japanese Yen	75,520	14.90%	86,758	64,282
Mexican Peso	3,165	11.40%	3,527	2,803
Norwegian Krone	1,138	10.60%	1,259	1,017
Chinese Renminbi Yuan	15,645	8.50%	16,972	14,318
Russian Rouble	4,366	23.80%	5,406	3,326
Singapore Dollar	3,692	8.80%	4,017	3,367
South African Rand	3,556	16.50%	4,144	2,968
South Korean Won	12,650	10.40%	13,970	11,330
Swedish Krona	5,828	8.80%	6,340	5,316
Swiss Franc	25,258	11.90%	28,272	22,244
Taiwan Dollar	7,167	8.60%	7,782	6,552
Thai Baht	1,891	9.70%	2,074	1,708
Turkish Lira	1,203	14.60%	1,378	1,028
US Dollar	284,402	9.00%	309,938	258,866
North America Basket	146,379	8.70%	159,165	133,593
Europe ex UK Basket	64,782	8.70%	70,445	59,119
Asia Pacific ex Japan Basket	29,736	8.60%	32,283	27,189
Emerging Basket	59,041	9.20%	64,463	53,619
Total Currency*	886,073	8.40%	960,300	811,846

**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 2016:

Currency Risk (by currency)

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Australian Dollar	5,656	9.26%	6,180	5,132
Brazilian Real	4,458	13.89%	5,077	3,839
Canadian Dollar	8,749	7.89%	9,439	8,059
Danish Krone	2,099	6.83%	2,242	1,956
EURO	90,569	6.77%	96,701	84,437
Hong Kong Dollar	9,619	7.67%	10,357	8,881
Indian Rupee	3,315	10.28%	3,656	2,974
Indonesian Rupiah	1,841	12.46%	2,070	1,612
Israeli Shekel	2,644	6.58%	2,818	2,470
Japanese Yen	50,706	11.68%	56,628	44,784
Mexican Peso	3,050	8.25%	3,302	2,798
Norwegian Krone	1,003	9.40%	1,097	909
Chinese Renminbi Yuan	9,001	7.68%	9,692	8,310
Peruvian New Sol	808	7.44%	868	748
Russian Rouble	4,391	21.00%	5,313	3,469
Singapore Dollar	4,546	6.17%	4,826	4,266
South African Rand	2,620	10.31%	2,890	2,350
South Korean Won	9,431	7.22%	10,112	8,750
Swedish Krona	3,645	7.65%	3,924	3,366
Swiss Franc	18,804	9.95%	20,675	16,933
Taiwan Dollar	5,266	6.59%	5,613	4,919
Thai Baht	799	8.39%	866	732
Turkish Lira	776	10.78%	860	692
US Dollar	204,139	7.78%	220,021	188,257
North America Basket	108,446	7.43%	116,504	100,388
Europe ex UK Basket	50,577	6.46%	53,844	47,310
Asia Pacific ex Japan Basket	21,610	6.52%	23,019	20,201
Emerging Basket	43,069	6.79%	45,993	40,145
Total Currency*	671,637	6.14%	712,876	630,398

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

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.

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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.

There are no known events that would have a material impact on these accounts.

25. Further Information

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

26. Financial Position

The accounts outlined within the statement represent the financial position of the City and County of Swansea Pension Fund at 31st March 2017.

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Appendix 1

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES FOR THE PERIOD 1ST APRIL 2016 TO 31ST MARCH 2017

Administering Authority	Contributors Pensioners Deferred Benefits			Employer Contribution Rate (% of Pensionable Pay) plus additional annual monetary amount
	Number @ 31/03/17	Number @ 31/03/17	Number @ 31/03/17	
City & County of Swansea	10,658	5,289	5,385	22.4%
Scheduled Bodies				
Neath Port Talbot County Borough	5,156	3,617	4,442	24.0%
Briton Ferry Town Council	1	1	1	26.4%
Cilybebyll Community Council	6	0	1	20.5%
Clydach Community Council	0	0	1	-
Coedffranc Community Council	10	3	1	19.2% (+ £4,000)
Gower College	458	237	416	15.4% (+ £177,500)
Llanrhidian Higher Community Council	1	0	0	18.2%
Lliw Valley BC	0	231	23	-
Margam Joint Crematorium Committee	8	12	5	19.2% (+ £5,000)
NPTC Group	524	240	392	14.7% (+ £164,000)
Neath Port Talbot Waste Management	0	1	0	-
Neath Town Council	13	15	8	19.2% (+ £16,300)
Pelenna Community Council	2	2	3	25.3%
Pontardawe Town Council	5	1	0	19.7%
Swansea Bay Port Health Authority	1	11	1	22.4%
Swansea City Waste Disposal Company	0	16	3	-
University of Wales Trinity St Davids	168	134	225	22.4% (+ £481,000)
West Glamorgan County Council	0	2,163	256	-
West Glamorgan Magistrates Courts	0	38	16	-
West Glamorgan Valuation Panel	0	5	0	-
Ystalyfera Community Council	1	0	0	15.9%
Admitted Bodies				
BABTIE	0	3	12	-
Celtic Community Leisure	230	32	160	11.1%
Colin Laver Heating Limited	0	2	2	-
Swansea Bay Racial Equality Council	5	0	2	34.3%
The Careers Business	0	6	9	-
Wales National Pool	55	3	66	14.5%
West Wales Arts Association	0	2	0	-
Capgemini	0	1	4	-
NPT Homes	421	69	72	16.2%
Phoenix Trust	0	1	3	-
Grwp Gwalia	174	65	72	20.4%
Rathbone CCS	2	0	2	25.2%
Rathbone Gower College	4	0	0	28.9%
Total	17,903	12,200	11,583	

Legislative Changes in the Local Government Pension Scheme (LGPS) during 2016/17

23th September 2016 - DCLG issued the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 [SI 2016/946], effective from 1 November 2016, to facilitate the pooling of investment funds.

27th May 2016 - DCLG commenced a consultation on draft amendment regulations for the LGPS in England and Wales. Amongst other amendments, the consultation covers Fair Deal and changes to AVC provisions in light of the recent Freedom and Choice reforms. The consultation closed on the 20th August 2016 and a response from the Government is now due.

Other Impacting Legislation

4th May 2016 - The Enterprise Act 2016 [2016/12] received royal assent, providing the legislative framework for the introduction of the £95k cap on public service exit payments. HM Treasury regulations need to be produced to provide further detail on how the cap will work in practice (and its implementation date). HM Treasury directions are also expected to provide detail of the circumstances in which the cap may be relaxed by permitted bodies.

15th September 2016 - the Finance Act 2016 [2016/24] received royal assent reducing the lifetime allowance for the tax years 2016/17 and 2017/18 to £1million and also introduced the new lifetime allowance protections, namely Individual Protection 2016 and Fixed Protection 2016.

24th January 2017 - HM Treasury issued the Enterprise Act 2016 (Commencement No 2) Regulations 2017 [SI 2017/70], effective from 1st February 2017. The regulations included changes to the Small Business, Enterprise and Employment Act 2015, which enables the £95k exit payment cap to be introduced; however, the commencement order does not bring the exit payment cap into effect itself, but allows the Government to make regulations providing for the introduction of the cap. HM Treasury plan to undertake a further consultation on draft regulations covering the cap before this becomes effective.

6th March 2017 - the Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment) Regulations 2017 [SI 2017/79] made provision to add two new circumstances where the employer duties, to automatically enrol and re-enrol eligible jobholders, are turned into a discretion. The circumstances are when Fixed Protection 2016 and Individual Protection 2016 in relation to the lifetime allowance apply to the member.

28 November 2016 - HM Treasury commenced a consultation that proposes options for the indexation of GMP elements for members of public service pension schemes who will reach SPA on and after 6th December 2018. The consultation period closed on 20th February 2017 and a response is now due from the Government.

Investment Fund Management

The investment of the Fund is the responsibility of the Pension Fund Committee. The Committee as at 31st March 2017 comprised of :

- 7 Council Members (one member from Neath Port Talbot CBC representing other scheme members) advised by:
 - Section 151 Officer
 - Chief Treasury & Technical Officer
 - 2 Independent Advisers.

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 - JP Morgan Asset Management, L&G and Aberdeen Asset Management
- Global Bonds - Goldman Sachs Asset Management and L&G
- Fund of Hedge Funds - BlackRock and Permal
- Fund of Private Equity Funds - Harbourvest
- Property - Invesco
- Fund of Property Funds - Partners Group and Schroders Investment Management

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 :

- Statement of Investment Principles
- Governance Statement
- Funding Strategy Statement
- Communication Policy

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