



# Greater Gwent (Torfaen) Pension Fund Statement of Accounts

2025/2026

Published subject to audit

Andrew Lovegrove, FCA  
**Strategic Director Resources**



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## STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS

### The Council's responsibilities as Administering Authority

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (known as the Section 151 Officer) has the responsibility for the administration of those affairs; in this Council, the Section 151 Officer is the Strategic Director of Resources
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets
- Approve the Pension Fund accounts

### The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Pension Fund accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Pension Fund accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

### The Section 151 Officer's Certificate

I certify that the Pension Fund accounts give a true and fair view of the financial position of the Greater Gwent (Torfaen) Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2026.

Signed by:



Andrew Lovegrove, FCA  
Strategic Director Resources (S151 Officer)  
Date: 20 July 2026

## DRAFT

### **The report of the Auditor General for Wales to the members of Torfaen Council Borough Council as administering authority for Greater Gwent (Torfaen) Pension Fund**

#### **Opinion on financial statements**

I have audited the financial statements of Greater Gwent (Torfaen) Pension Fund for the year ended 31 March 2026 under the Public Audit (Wales) Act 2004. Greater Gwent (Torfaen) Pension Fund financial statements comprise the fund account, the net assets statement, and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025-26.

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 2026, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025-26.

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

#### **Other information**

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

I have nothing to report in this regard.

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## Report on other requirements

### Opinion on other matters

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

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

### Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

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

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

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 1, the responsible financial officer is responsible for:

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

### Auditor's responsibilities for the audit of the financial statements

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. My procedures included the following:

- Enquiring of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Greater Gwent (Torfaen) Pension Fund's policies and procedures concerned with:
  - Identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;

## Pension Fund Statement of Accounts 2025/2026

- Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud; and
  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
  - Obtaining an understanding of Greater Gwent (Torfaen) Pension Fund's framework of authority as well as other legal and regulatory frameworks that the Greater Gwent (Torfaen) Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Greater Gwent (Torfaen) Pension Fund;
  - Obtaining an understanding of related party relationships.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Greater Gwent (Torfaen) Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

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

### **Other auditor's responsibilities**

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

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
Date:

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

## Pension Fund Accounts

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# Pension Fund Statement of Accounts 2025/2026

## Fund Account for the Year Ended 31 March 2026

|                                                                                             | Note | 2024/2025<br>£000  | 2025/2026<br>£000  |
|---------------------------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>Dealings with members, employers and others directly involved in the Fund</b>            |      |                    |                    |
| Contributions                                                                               | 7    | (179,461)          | (188,111)          |
| Transfers in from other pension funds                                                       | 8    | (11,933)           | (13,910)           |
| Other income                                                                                |      |                    | (51)               |
|                                                                                             |      | (191,394)          | (202,072)          |
| Benefits                                                                                    | 9    | 175,015            | 186,169            |
| Payments to and on account of leavers                                                       | 10   | 18,741             | 17,675             |
| Other payments                                                                              | 13b  | 19,811             | -                  |
|                                                                                             |      | 213,567            | 203,844            |
| <b>Net (additions)/withdrawals from dealings with members</b>                               |      | <b>22,173</b>      | <b>1,772</b>       |
| Management expenses                                                                         | 11   | 17,012             | 21,930             |
| <b>Net (additions)/withdrawals including fund management expenses</b>                       |      | <b>39,185</b>      | <b>23,702</b>      |
| <b>Returns on investments</b>                                                               |      |                    |                    |
| Investment income                                                                           | 12   | (70,582)           | (78,674)           |
| Profit and losses on disposal of investments and changes in the market value of investments | 14a  | (168,593)          | (543,616)          |
| <b>Net return on investments</b>                                                            |      | <b>(239,175)</b>   | <b>(622,290)</b>   |
| <b>Net (increase)/decrease in the net assets available for benefits during the year</b>     |      | <b>(199,990)</b>   | <b>(598,588)</b>   |
| <b>Opening net assets of the scheme</b>                                                     |      | <b>(4,248,591)</b> | <b>(4,448,581)</b> |
| <b>Closing net assets of the scheme</b>                                                     |      | <b>(4,448,581)</b> | <b>(5,047,169)</b> |

## Net Assets Statement for the Year Ended 31 March 2026

|                                                                        | Note | 2024/25<br>£000  | 2025/26<br>£000  |
|------------------------------------------------------------------------|------|------------------|------------------|
| Investment assets                                                      | 14   | 4,410,987        | 4,956,020        |
| Long term investments                                                  |      | -                | 159              |
| Cash deposits                                                          |      | 27,434           | 81,612           |
| Investment liabilities                                                 | 14   | -                | -                |
| <b>Total net investments</b>                                           |      | <b>4,438,421</b> | <b>5,037,791</b> |
| Current assets                                                         | 20   | 16,447           | 17,215           |
| Current liabilities                                                    | 21   | (6,287)          | (7,837)          |
| <b>Net assets of the Scheme available to fund benefits at 31 March</b> |      | <b>4,448,581</b> | <b>5,047,169</b> |

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



## NOTES TO THE ACCOUNTS

### 1. Description of Fund

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

The following description of the Fund is designed to be a summary only. For more detail, reference should be made to the 'signposting' to the Fund's statutory documentation in the full Pension Fund Annual Report & Accounts 2025/2026 published on the Pension Fund's website.

#### 1.1 General

The Fund is governed by the Public Service Pension Act 2013 and administered in accordance with the following secondary legislation: -

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

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

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

#### 1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Greater Gwent (Torfaen) Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer.

There are 56 active employer organisations within the Greater Gwent (Torfaen) Pension Fund, including the administering authority itself. The table below provides some further details in terms of membership.

# Pension Fund Statement of Accounts 2025/2026

## Fund Membership

|                                              | Active Members<br>31/03/25 | Active Members<br>31/03/26 |
|----------------------------------------------|----------------------------|----------------------------|
| <b>Administering Authority</b>               |                            |                            |
| Torfaen CBC                                  | 3,280                      | 3,386                      |
| <b>Current Scheduled Bodies</b>              |                            |                            |
| Blaenau Gwent CBC                            | 2,796                      | 2,915                      |
| Caerphilly CBC                               | 7,099                      | 6,953                      |
| Monmouthshire CC                             | 3,531                      | 3,432                      |
| Newport City Council                         | 4,649                      | 4,780                      |
| Valuation Panel                              | 11                         | 13                         |
| Coleg Gwent                                  | 665                        | 717                        |
| Chepstow Town Council                        | 10                         | 7                          |
| Brynmarwr Town Council                       | 1                          | 1                          |
| Chief Constable (Gwent)                      | 952                        | 1,009                      |
| Police & Crime Commissioner (Gwent)          | 25                         | 25                         |
| Caldicot Town Council                        | 3                          | 2                          |
| Nantyglo & Blaina Town Council               | 1                          | 2                          |
| Monmouth Town Council                        | 3                          | 4                          |
| Gwent Cremation Committee                    | 9                          | 10                         |
| Cwmbran Community Council                    | 9                          | 10                         |
| Pontypool Community Council                  | 9                          | 8                          |
| Tredeggar Town Council                       | 2                          | 2                          |
| Rogerstone Community Council                 | 5                          | 4                          |
| Bargoed Town Council                         | 2                          | 2                          |
| Portskewett Community Council                | 1                          | 1                          |
| Shirenewton Community Council                | 1                          | 1                          |
| Magor with Undy Community Council            | 3                          | 3                          |
| Llanfoist Fawr Community Council             | 1                          | 1                          |
| BTM Community Council                        | 2                          | 2                          |
| Abertillery & Llanhillith Community Council  | 3                          | 3                          |
| Abergavenny Town Council                     | 3                          | 4                          |
| Croesyceiliog & Llanyrafon Community Council | 2                          | 2                          |
| Shared Resource Service                      | 233                        | 283                        |
| Llanbradach & Pwll-y-pant Community Council  | 1                          | 1                          |
| Vann Community Council                       | 1                          | 1                          |
| Rogiet Community Council                     | 1                          | 1                          |
| Blaenavon Town Council                       | 2                          | 3                          |
| Devauden Community Council                   | 1                          | 1                          |
| Blackwood Town Council                       | 0                          | 3                          |
| <b>Deemed Bodies</b>                         |                            |                            |
| Newport Transport                            | 3                          | 1                          |
| <b>Admitted Bodies</b>                       |                            |                            |
| Careers Wales Gwent                          | 101                        | 98                         |
| Citizen Advice Bureau Caerphilly             | 3                          | 2                          |
| Archives                                     | 19                         | 18                         |
| Monmouthshire Housing                        | 205                        | 194                        |
| Tai Hedyn Ltd                                | 431                        | 351                        |
| Tai Calon                                    | 141                        | 130                        |

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|                                        | Active Members<br>31/03/25 | Active Members<br>31/03/26 |
|----------------------------------------|----------------------------|----------------------------|
| <b>Admitted Bodies continued</b>       |                            |                            |
| Drive                                  | 2                          | 2                          |
| Vinci                                  | 1                          | 1                          |
| Compass Catering                       | 11                         | 9                          |
| EAS                                    | 66                         | 58                         |
| Just Perfect Catering                  | 5                          | 5                          |
| Churchill                              | 3                          | 3                          |
| Torfaen Leisure Trust                  | 192                        | 0                          |
| NCS Norse                              | 137                        | 0                          |
| Life Leisure                           | 307                        | 315                        |
| Newport Live                           | 280                        | 294                        |
| Radis                                  | 21                         | 15                         |
| Arwen Cultural Trust                   | 3                          | 3                          |
| Mitie                                  | 0                          | 9                          |
| Atlas                                  | 0                          | 2                          |
| Cyson Cymru                            | 0                          | 198                        |
| Halo Leisure                           | 0                          | 290                        |
| <b>Total Active Membership</b>         | <b>25,248</b>              | <b>25,590</b>              |
| <b>Total Deferred Members</b>          | <b>20,128</b>              | <b>20,479</b>              |
| <b>Total Pensioners and Dependants</b> | <b>21,983</b>              | <b>23,009</b>              |
| <b>Total Membership</b>                | <b>67,359</b>              | <b>69,078</b>              |

## 1.3 Benefits

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

## 1.4 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022 which set employer contribution rates from 1 April 2023. Currently, employer contribution rates range from 0% to 49.4% of pensionable pay. An Actuarial Valuation was carried out as at March 2025 and these results will affect employers' rates from April 2026.

## 2. Basis of preparation

- 2.1 The statement of accounts summarises the Fund's transactions for the 2025/26 financial year and its financial position at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

## 3. Summary of significant accounting policies

### 3.1 Fund Account – Revenue Recognition

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

#### i) Contribution Income

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

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

Early retirement strain costs due from employers are accounted for in the period in which the liability arises, with any amount due in year but unpaid classed as a current financial asset.

#### ii) Transfers To and From Other Schemes

Transfers in and out relate to members who have either joined or left the Fund.

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

Group (bulk) transfers are accounted for on an accrual's basis in accordance with the terms of the agreement.

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

#### iii) Investment Income

- Interest income from cash deposits is recognised in the fund account on an accruals basis.
- Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.
- Income earned within the pooled investments is retained by the fund manager as part of the capital assets of the fund and reflected in the higher unit price, with the following exceptions:
  - a) The Fidelity Multi Asset Income Fund generates monthly dividend payments, and the income is reinvested as a purchase of additional units in the fund.
  - b) Waystone investments are held as income units and quarterly income payable is reinvested as a purchase of additional units in the respective fund.
  - c) Dividends paid by property pooled funds are recognised as cash income.

## Pension Fund Statement of Accounts 2025/2026

- Any accrued dividend entitlements and tax reclaim amounts receivable as at 31 March are included in 'other investment balances' and disclosed in the investment assets.
- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

### 3.2 Fund Account – Expense Items

#### i) Benefits Payable

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year. Pensions and lump sum benefits payable include all amounts due as at 31<sup>st</sup> of March in any year. The Fund does not normally account for, or disclose the effects on, benefits payable of any former employee decisions that occur post 24<sup>th</sup> of April in any year, unless the total value is material.

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

#### ii) Management Expenses

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

##### ▪ Administrative Expenses

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

##### ▪ Oversight and Governance Costs

All costs associated with governance and oversight are separately identified, apportioned to this activity, and charged as expenses to the Fund. This figure also includes the cost of our involvement in the LGPS pooling collaboration in Wales via the Wales Pension Partnership. Further details on the Wales Pension Partnership can be found in the full Pension Fund Annual Report & Accounts 2025/2026 published on the Pension Fund's website and in Note 13(a) on page 21.

##### ▪ Investment Management Expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Fees charged by external investment managers and custodians are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with Fidelity International that an element of their fees be performance related. Where an investment manager's fee invoice has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2025/26 £0.72m of management expenses are based on such estimates (£3.37m in 2024/25) primarily due to increased investment in private markets where current fee information is not available as at the Fund's year end date.

## ▪ **Transaction Costs**

Transaction costs are associated with the acquisition or disposal of fund assets. Explicit costs typically include the commission that a broker charges, clearing costs, exchange fees, or any taxes or levies payable. Implicit transaction costs arise from the bid-offer spread, which is the difference between the highest price that a buyer is willing to pay for an asset and the lowest price that a seller is willing to accept. The Fund is working with the Scheme Advisory Board on a cost transparency initiative to identify and report these costs in a future disclosure note to reflect the true cost of ownership. Transaction costs incurred by a pooled fund are reflected in the value of purchases and sales in the reconciliation of movements in investments table (see Note 14a).

## ▪ **LGPS Code of Transparency**

The Scheme Advisory Board (SAB) launched the LGPS Code of Transparency in 2017. The objectives of the Code are consistent with CIPFA's accounting standards for administering authorities' statutory annual reporting and the government's criteria for LGPS investment pooling. Under the Code, investment managers are required, in a timely manner, to provide portfolio information in prescribed format to ensure clarity, transparency, consistency and comparability across the LGPS in accordance with the Cost Transparency Initiative (CTI).

All the Fund's investment managers are signatories to the Code and have provided CTI templates that demonstrate a comprehensive list of direct and indirect management costs charged throughout the year.

In accordance with year-end processes, a review of CTI template data is undertaken, and any queries are raised with the respective investment managers to ensure that all costs (direct and indirect) associated with the management of Fund capital have been recorded and reported accurately.

## iii) **Taxation**

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

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

## 3.3 **Net assets statement**

### i) **Financial Assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades not settled as at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments in Note 14(a). Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

# Pension Fund Statement of Accounts 2025/2026

## ii) **Cash and Cash Equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. The administering authority has the option of investing fixed term in specified investments or alternatively in instant access money market fund accounts, in accordance with the Fund's Cash Management Strategy which is reviewed and approved annually by the Pension Committee. (The lending party is the pension fund rather than Torfaen County Borough Council as administering authority).

## iii) **Financial Liabilities**

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

## 3.4 **Wales Pension Partnership**

The Wales Pension Partnership (WPP) is an established LGPS pool. A Joint Governance Committee formed from Elected Member representatives of the eight participating Constituent Authorities governs the WPP and a regulated third-party operator, Waystone, has been appointed to administer the pooling arrangements. Each Fund retains responsibility for its own funding requirements and investment strategy but then uses the WPP to implement its investment requirements thereby aiming to achieve economies of scale in fees. The costs of running the WPP are shared by the eight partners (see Note 13(a) page 21).

The eight Welsh LGPS funds each hold a 12.5% share in the Wales Pension Partnership Investment Management Company (WPP IM Co) which is being formed in line with Government criteria. A £158,825 cash contribution to fund the initial setup costs of WPP IM Co has been recognised in the accounts as a long-term investment in 2025/26. The asset is initially measured at cost and will be subsequently revalued for any impairment. WPP IM Co is seeking to become FCA regulated and to start providing services to each Fund during 2026/27. Once granted the necessary regulated status WPP IM Co will take responsibility for managing and overseeing each Fund's investments.

## 3.5 **Actuarial Present Value of Promised Retirement Benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19, page 40).

## 3.6 **Additional Voluntary Contributions**

The Greater Gwent (Torfaen) Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Standard Life and Clerical Medical as its AVC providers. Some AVC contributions from prior years are also held with Equitable Life who were taken over by Utmost Life and Pensions in January 2020. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 22, page 42.



### 3.7 **Contingent Assets and Contingent Liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably. Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

## **4. Critical judgement in applying accounting policies**

### 4.1 **Pension Fund Liability**

The triennial valuation of the Fund carried out under Regulation 62 of the LGPS Regulations 2013 differs from the IAS19 annual valuations of the promised retirement benefits at the balance sheet date. The pension fund valuation is calculated every three years by the appointed actuary. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 18, page 39. This estimate is subject to significant variances based on changes to the underlying assumptions. The Code requires disclosure of the actuarial value of promised retirement benefits for the whole Fund at balance sheet date. See paragraph 3.5 above and Note 19, page 40. Since this depends upon several complex judgements, an actuary advises on the assumptions employed and carries out the calculation.

The assumptions employed for IAS19 accounting purposes can differ from those employed for the triennial valuation of the Fund and could affect the value calculated.



## 5. Assumptions made about the future and other major sources of estimation uncertainty

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

| Item                                                              | Uncertainties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Effect if actual results differ from assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial present value of promised retirement benefits (Note 19) | <p>Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets.</p> <p>The Fund's Actuary, Hymans Robertson, is engaged to provide the Fund with expert advice about the assumptions to be applied. They also provide a sensitivity analysis.</p>                                         | <p>The sensitivity to the financial assumptions used to measure the pension fund liabilities can be measured. For the year ended 31 March 2026; a 0.1% decrease in the discount rate assumption would increase the value of liabilities by approximately £65m; a 0.1% increase in assumed salary inflation would increase the value of liabilities by approximately £3m; and a 0.1% increase in the pension increase rate would increase the liabilities by approximately £61m.</p> <p>The principal demographic assumption is the longevity assumption, and for sensitivity purposes a 1-year increase in life expectancy would approximately increase the liabilities by c. 4% or £153m.</p> |
| Item                                                              | Uncertainties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Effect if actual results differ from assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Level 3 investments (Note 15)                                     | <p>Level 3 investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Obtaining a timely valuation is an issue with private funds where the valuation of investment vehicles is often 'stale' due to the unavailability of current pricing information as at the Fund's year end date. Valuations as of 31 March are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolio of investments.</p> | <p>The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £740.443m as of 31 March 2026. The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 15.</p>                                                                                                                                                                                                                                                                                                     |

## 6. Events after the reporting date

- 6.1 The accounting statements are required to reflect the conditions applying at the end of the financial year; however, the Fund investment assets will move in line with the value of securities quoted on world stock exchanges which could increase or decrease. As the pension fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2026 and the date that the accounting statements are authorised for issue. This is known as a non-adjusting event after the reporting period.

## 7. Contributions receivable

- 7.1 The primary employer contribution rates for the Fund for March 2025/26 ranged from 0% to 49.4% of pensionable pay for individual employers. Also payable is the secondary rate which is made up of additional lump sums or contribution rates applicable, again to individual employers. During the year some employers have paid additional contributions over and above the rate set for them by the Actuary. The deficit recovery contribution (i.e., the secondary rate) contains lump sum payments and contributions paid over the primary rates.

### By category

| 2024/25          |                                          | 2025/26          |
|------------------|------------------------------------------|------------------|
| £000             |                                          | £000             |
| (37,107)         | Employees normal contributions           | (38,603)         |
| (214)            | Employees 50:50 contributions            | (182)            |
| (25)             | Employees additional contributions       | (9)              |
| <b>(37,346)</b>  | <b>Total Employees contributions</b>     | <b>(38,794)</b>  |
| (115,583)        | Employers normal contributions           | (117,107)        |
| (24,203)         | Employers deficit recovery contributions | (26,917)         |
| (2,329)          | Employers augmentation contributions     | (5,293)          |
| <b>(142,115)</b> | <b>Total Employers contributions</b>     | <b>(149,317)</b> |
| <b>(179,461)</b> | <b>Total contributions receivable</b>    | <b>(188,111)</b> |

### By type of employer

| 2024/25          |                         | 2025/26          |
|------------------|-------------------------|------------------|
| £000             |                         | £000             |
| (25,102)         | Administering Authority | (26,139)         |
| (140,991)        | Scheduled bodies        | (149,503)        |
| (40)             | Deemed bodies           | (16)             |
| (13,328)         | Admitted bodies         | (12,453)         |
| <b>(179,461)</b> |                         | <b>(188,111)</b> |

# Pension Fund Statement of Accounts 2025/2026

## Contributions received in 2025/26 split by employers and employees

| Authorities                      | Employees<br>Contributions<br>£000 | Employers<br>Contributions<br>£000 | Total<br>Contributions<br>£000 | Benefits<br>Payable<br>£000 |
|----------------------------------|------------------------------------|------------------------------------|--------------------------------|-----------------------------|
| <b>Administering Authority</b>   |                                    |                                    |                                |                             |
| Torfaen CBC                      | 5,057                              | 21,082                             | 26,139                         | 25,264                      |
| <b>Scheduled Bodies</b>          |                                    |                                    |                                |                             |
| Blaenau Gwent CBC                | 4,204                              | 17,864                             | 22,068                         | 22,491                      |
| Caerphilly CBC                   | 10,185                             | 42,043                             | 52,228                         | 47,137                      |
| Monmouthshire CC                 | 4,840                              | 19,486                             | 24,326                         | 21,540                      |
| Newport City Council             | 6,785                              | 26,310                             | 33,095                         | 29,022                      |
| Valuation Panel                  | 30                                 | 98                                 | 128                            | 43                          |
| Coleg Gwent                      | 1,075                              | 3,752                              | 4,827                          | 4,075                       |
| Coleg Gwent Training             | 0                                  | 0                                  | 0                              | 19                          |
| Chepstow Town Council            | 11                                 | 41                                 | 52                             | 22                          |
| Brynmawr Town Council            | 1                                  | 0                                  | 1                              | 10                          |
| Gwent Police Authority           | 0                                  | 0                                  | 0                              | 2,409                       |
| Chief Constable (Gwent)          | 2,294                              | 6,911                              | 9,205                          | 3,706                       |
| Police & Crime Comm (Gwent)      | 94                                 | 240                                | 334                            | 114                         |
| Gwent Magistrates                | 0                                  | 0                                  | 0                              | 531                         |
| Caldicot Town Council            | 8                                  | 15                                 | 23                             | 19                          |
| Nantyglo & Blaina Town Council   | 3                                  | 10                                 | 13                             | 10                          |
| Monmouth Town Council            | 5                                  | 18                                 | 23                             | 11                          |
| Gwent Cremation Committee        | 18                                 | 27                                 | 45                             | 87                          |
| Cwmbran Community Council        | 17                                 | 61                                 | 78                             | 63                          |
| Pontypool Community Council      | 16                                 | 59                                 | 75                             | 86                          |
| Tredegar Town Council            | 3                                  | 8                                  | 11                             | 6                           |
| Rogerstone Community Council     | 8                                  | 34                                 | 42                             | 19                          |
| Bargoed Town Council             | 2                                  | 8                                  | 10                             | 11                          |
| Portskewett Community Council    | 1                                  | 3                                  | 4                              | 2                           |
| Shirenewton Community Council    | 1                                  | 3                                  | 4                              | 2                           |
| Henllys Community Council        | 0                                  | 0                                  | 0                              | 1                           |
| Magor with Undy Com Council      | 4                                  | 18                                 | 22                             | 42                          |
| Caerwent Community Council       | 0                                  | 0                                  | 0                              | 5                           |
| Llanfoist Fawr Community Council | 1                                  | 2                                  | 3                              | 0                           |
| Croesyceiliog & LLanyrafon CC    | 1                                  | 8                                  | 9                              | 2                           |
| Abergavenny Town Council         | 6                                  | 19                                 | 25                             | 0                           |
| BTM Community Council            | 3                                  | 11                                 | 14                             | 0                           |
| Abertillery & LLanhilleth CC     | 5                                  | 21                                 | 26                             | 0                           |
| Shared Resource Service          | 669                                | 2,103                              | 2,772                          | 637                         |
| Llanbradach & Pwll-y-pant CC     | 1                                  | 3                                  | 4                              | 0                           |
| Vann Community Council           | 1                                  | 2                                  | 3                              | 0                           |
| Rogiet Community Council         | 1                                  | 4                                  | 5                              | 0                           |
| Blaenavon Town Council           | 4                                  | 14                                 | 18                             | 0                           |
| Devauden Community Council       | 1                                  | 2                                  | 3                              | 0                           |
| Blackwood Town Council           | 1                                  | 3                                  | 4                              | 0                           |
| Grosmont Community Council       | 1                                  | 2                                  | 3                              | 0                           |
| <b>Former Scheduled Bodies</b>   |                                    |                                    |                                |                             |
| Gwent County Council             | 0                                  | 0                                  | 0                              | 7,824                       |
| Commission for New Towns         | 0                                  | 0                                  | 0                              | 453                         |
| <b>Deemed Bodies</b>             |                                    |                                    |                                |                             |
| Islwyn Transport                 | 0                                  | 0                                  | 0                              | 172                         |
| Newport Transport                | 3                                  | 13                                 | 16                             | 1,328                       |

# Pension Fund Statement of Accounts 2025/2026

## Contributions received in 2025/26 split by employers and employees

| Authorities                      | Employees<br>Contributions<br>£000 | Employers<br>Contributions<br>£000 | Total<br>Contributions<br>£000 | Benefits<br>Payable<br>£000 |
|----------------------------------|------------------------------------|------------------------------------|--------------------------------|-----------------------------|
| <b>Admitted Bodies</b>           |                                    |                                    |                                |                             |
| Big Pit                          | 0                                  | 0                                  | 0                              | 11                          |
| Melin Homes (formerly EVHA)      | 0                                  | 0                                  | 0                              | 653                         |
| Careers Wales Gwent              | 215                                | 650                                | 865                            | 1,489                       |
| Citizen Advice Bureau Caerphilly | 5                                  | 133                                | 138                            | 193                         |
| Mitie (formerly Ballast)         | 0                                  | 0                                  | 0                              | 15                          |
| CWVYS                            | 0                                  | 3                                  | 3                              | 26                          |
| Canllaw                          | 0                                  | 0                                  | 0                              | 17                          |
| Capita Gwent Consultancy         | 0                                  | 0                                  | 0                              | 1,935                       |
| Hafod Care                       | 0                                  | 0                                  | 0                              | 489                         |
| Archives                         | 32                                 | 65                                 | 97                             | 203                         |
| Monitor                          | 0                                  | 0                                  | 0                              | 26                          |
| OCS Ex Monmouth CC               | 0                                  | 0                                  | 0                              | 18                          |
| OCS Ex UWN                       | 0                                  | 0                                  | 0                              | 4                           |
| United Response                  | 0                                  | 0                                  | 0                              | 55                          |
| Monmouthshire HA                 | 464                                | 1,172                              | 1,636                          | 1,305                       |
| Bron Afon                        | 0                                  | 0                                  | 0                              | 3,479                       |
| Tai Hedyn Ltd                    | 1,001                              | 1,332                              | 2,333                          | 2,496                       |
| Tai Calon                        | 342                                | 1,389                              | 1,731                          | 2,339                       |
| Manpower UK Ltd                  | 0                                  | 0                                  | 0                              | 4                           |
| DRIVE                            | 4                                  | 0                                  | 4                              | 88                          |
| Regent Ex Mon CC                 | 0                                  | 0                                  | 0                              | 4                           |
| Regent Ex Monmouth Cluster       | 0                                  | 0                                  | 0                              | 1                           |
| Regent Ex Abergavenny Cluster    | 0                                  | 0                                  | 0                              | 5                           |
| Regent Ex Chepstow Cluster       | 0                                  | 0                                  | 0                              | 10                          |
| Vinci                            | 2                                  | 15                                 | 17                             | 1                           |
| Compass Catering Newport         | 7                                  | 0                                  | 7                              | 242                         |
| Compass Catering St Albans       | 0                                  | 0                                  | 0                              | 6                           |
| National Trust                   | 0                                  | 0                                  | 0                              | 48                          |
| Barnardo's                       | 0                                  | 0                                  | 0                              | 93                          |
| Education Achievement Service    | 265                                | 1,206                              | 1,471                          | 1,113                       |
| Just Perfect Catering            | 3                                  | 8                                  | 11                             | 11                          |
| Caterlink NCC Caerleon           | 0                                  | 0                                  | 0                              | 32                          |
| Caterlink NCC Newport High       | 0                                  | 0                                  | 0                              | 5                           |
| Churchill                        | 3                                  | 0                                  | 3                              | 10                          |
| Monwell Ltd                      | 0                                  | 0                                  | 0                              | 83                          |
| Torfaen Leisure Trust            | 0                                  | 0                                  | 0                              | 163                         |
| Borough Theatre                  | 0                                  | 0                                  | 0                              | 18                          |
| NCS – Norse                      | 236                                | 689                                | 925                            | 657                         |
| NPS – Newport                    | 0                                  | 0                                  | 0                              | 39                          |
| Life Leisure                     | 287                                | 605                                | 892                            | 616                         |
| Newport Live                     | 307                                | 741                                | 1,048                          | 260                         |
| Alliance in Partnership          | 0                                  | 0                                  | 0                              | 4                           |
| Glyncoed Catering                | 0                                  | 0                                  | 0                              | 6                           |
| Radis                            | 21                                 | 85                                 | 106                            | 208                         |
| Arwen Cultural Trust             | 6                                  | 12                                 | 18                             | 19                          |
| MITIE                            | 48                                 | 87                                 | 135                            | 0                           |
| Atlas                            | 1                                  | 5                                  | 6                              | 0                           |
| Cyson Cymru                      | 87                                 | 585                                | 672                            | 430                         |
| Halo Leisure                     | 98                                 | 237                                | 335                            | 77                          |
| <b>Totals</b>                    | <b>38,794</b>                      | <b>149,317</b>                     | <b>188,111</b>                 | <b>186,169</b>              |

## Pension Fund Statement of Accounts 2025/2026

### 8. Transfers in from other pension funds

| 2024/25         |                      | 2025/26         |
|-----------------|----------------------|-----------------|
| £000            |                      | £000            |
| (11,933)        | Individual transfers | (13,910)        |
| <b>(11,933)</b> |                      | <b>(13,910)</b> |

### 9. Benefits payable

#### By category

| 2024/25        |                                                          | 2025/26        |
|----------------|----------------------------------------------------------|----------------|
| £000           |                                                          | £000           |
| 133,973        | Pensions                                                 | 141,566        |
| 34,736         | Commutation of pensions and lump sum retirement benefits | 37,321         |
| 3,352          | Lump sum death benefits                                  | 4,337          |
| 2,954          | Additional allowances                                    | 2,945          |
| <b>175,015</b> |                                                          | <b>186,169</b> |

#### By type of employer

| 2024/25        |                         | 2025/26        |
|----------------|-------------------------|----------------|
| £000           |                         | £000           |
| 24,141         | Administering Authority | 25,264         |
| 132,255        | Scheduled Bodies        | 140,399        |
| 1,300          | Deemed Bodies           | 1,500          |
| 17,319         | Admitted Bodies         | 19,006         |
| <b>175,015</b> |                         | <b>186,169</b> |

### 10. Payments to and on account of leavers

| 2024/25       |                                           | 2025/26       |
|---------------|-------------------------------------------|---------------|
| £000          |                                           | £000          |
| 417           | Refunds to members leaving service        | 439           |
| (1)           | Payments for members joining state scheme | 0             |
| 18,325        | Individual transfers                      | 17,236        |
| <b>18,741</b> |                                           | <b>17,675</b> |

# Pension Fund Statement of Accounts 2025/2026

## 11. Management expenses

| 2024/25       |                                | 2025/26       |
|---------------|--------------------------------|---------------|
| £000          |                                | £000          |
| 1,759         | Administrative costs           | 2,054         |
| 13,723        | Investment management expenses | 18,105        |
| 1,530         | Oversight and governance costs | 1,771         |
| <b>17,012</b> |                                | <b>21,930</b> |

### a) Investment management expenses

| 2025/26                     | Total         | Management fees | Performance related fees | Transaction costs |
|-----------------------------|---------------|-----------------|--------------------------|-------------------|
|                             | £000          | £000            | £000                     | £000              |
| Pooled investments          | 16,103        | 15,955          | 148                      | -                 |
| Pooled property investments | 1,614         | 1,614           | -                        | -                 |
|                             | 17,717        | 17,569          | 148                      | -                 |
| Custody fees                | 388           |                 |                          |                   |
| <b>Total</b>                | <b>18,105</b> |                 |                          |                   |

| 2024/25                     | Total         | Management fees | Performance related fees | Transaction costs |
|-----------------------------|---------------|-----------------|--------------------------|-------------------|
|                             | £000          | £000            | £000                     | £000              |
| Pooled investments          | 13,075        | 13,075          | -                        | -                 |
| Pooled property investments | 306           | 306             | -                        | -                 |
|                             | 13,381        | 13,381          | -                        | -                 |
| Custody fees                | 342           |                 |                          |                   |
| <b>Total</b>                | <b>13,723</b> |                 |                          |                   |

Transaction costs incurred within underlying holdings of pooled vehicles reduce the market value of our holding and are not a direct cost to the Fund.

Management expenses for pooled investments include the costs of joining additional private market investments during the year. These costs include partnership expenses associated with set up and operation as well as equalisation payments. In the context of alternative investment funds, the equalisation process is an accounting methodology which enables each individual investor, or group of investors, who invest in a fund over the course of its lifetime to be individually assessed for their own incentive fee liability and charged accordingly. Equalisation receipts and payments ensure that all Limited Partners are treated as if they had been admitted to the Partnership at the first closing date and are expected to be offset by the investment performance of these investments over time.

## 12. Investment income

| 2024/25         |                             | 2025/26         |
|-----------------|-----------------------------|-----------------|
| £000            |                             | £000            |
| (66,650)        | Pooled investments          | (75,771)        |
| (2,285)         | Pooled property investments | (1,697)         |
| (1,647)         | Interest on cash deposits   | (1,206)         |
| <b>(70,582)</b> |                             | <b>(78,674)</b> |

## 13. Other fund account disclosures

### a) Wales Pension Partnership

| 2024/25<br>£000 |                                           | 2025/26<br>£000 |
|-----------------|-------------------------------------------|-----------------|
|                 | <b>WPP oversight and governance costs</b> |                 |
| 415             | Operator fees                             | 565             |
| 217             | Set up and oversight costs                | 248             |
| 23              | Host Authority costs                      | 24              |
|                 | <b>WPP investment management expenses</b> |                 |
| 4,919           | Fund management fees                      | 5,286           |
| 316             | Depositary and custody fees               | 363             |
| <b>5,890</b>    |                                           | <b>6,486</b>    |

Oversight and governance costs include the host authority costs and other external advisor costs. These costs are funded equally by all eight LGPS funds in Wales. Fees are also payable to Waystone as the FCA authorised WPP Operator, providing operational, governance, compliance, oversight and reporting services to the pool.

Investment management expenses include fund manager fees and depositary 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).

For further information on costs for the Wales Pension Partnership please refer to the Asset Pooling section in the full Pension Fund Annual Report & Accounts 2025/26 published on the Pension Fund's website.

### b) Other payments

| 2024/25<br>£000 |                   | 2025/26<br>£000 |
|-----------------|-------------------|-----------------|
| 19,811          | Cessation Payment | -               |
| <b>19,811</b>   |                   | <b>-</b>        |

# Pension Fund Statement of Accounts 2025/2026

## 14. Investments

| Value at<br>31.03.25<br>bid price<br>£000 |                                                    | Value at<br>31.03.26<br>bid price<br>£000 |
|-------------------------------------------|----------------------------------------------------|-------------------------------------------|
| -                                         | <b>Long term investments</b>                       |                                           |
| -                                         | WPP Investment Management Company Ltd <sup>1</sup> | 159                                       |
| -                                         |                                                    | <b>159</b>                                |
|                                           | <b>Investment assets</b>                           |                                           |
|                                           | <b>Pooled funds</b>                                |                                           |
| 528,328                                   | Fixed Income                                       | 546,156                                   |
| 1,048,723                                 | Global Passive Equity                              | 980,957                                   |
| 856,094                                   | Global Equity                                      | 994,565                                   |
| 224,506                                   | European Equity                                    | 238,505                                   |
| 607,320                                   | UK Equity                                          | 712,975                                   |
| 311,945                                   | Asian Equity                                       | 399,251                                   |
| 107,040                                   | Global Emerging Markets Equity                     | 142,540                                   |
| 115,809                                   | Multi Asset Funds                                  | 126,986                                   |
| 182,561                                   | Private Credit                                     | 204,855                                   |
| 356,087                                   | Infrastructure                                     | 423,283                                   |
| <b>4,338,413</b>                          |                                                    | <b>4,770,073</b>                          |
|                                           | <b>Other investments</b>                           |                                           |
| 71,688                                    | Pooled property investments                        | 185,611                                   |
| <b>71,688</b>                             |                                                    | <b>185,611</b>                            |
| 27,434                                    | Cash deposits                                      | 81,612                                    |
| 886                                       | Investment income due                              | 336                                       |
| <b>28,320</b>                             |                                                    | <b>81,948</b>                             |
| <b>4,438,421</b>                          | <b>Total investment assets</b>                     | <b>5,037,791</b>                          |
|                                           | <b>Investment liabilities</b>                      |                                           |
| -                                         | Amounts payable                                    | -                                         |
| <b>-</b>                                  | <b>Total investment liabilities</b>                | <b>-</b>                                  |
| <b>4,438,421</b>                          | <b>Total investment assets</b>                     | <b>5,037,791</b>                          |

<sup>1</sup> A cash contribution to fund the initial setup costs of WPP IM Co has been recognised in the accounts as a long-term investment



## Pension Fund Statement of Accounts 2025/2026

### a) Reconciliation of movements in investments

| Period 2025/26               | Market Value<br>31 March<br>2025 | Purchases<br>during the<br>year | Sales<br>during the<br>year | Investment<br>management<br>expenses<br>deducted at<br>source | Change in<br>value<br>during the<br>year | Market Value<br>31 March<br>2026 |
|------------------------------|----------------------------------|---------------------------------|-----------------------------|---------------------------------------------------------------|------------------------------------------|----------------------------------|
|                              | £000                             | £000                            | £000                        | £000                                                          | £000                                     | £000                             |
| Pooled funds                 | 4,338,413                        | 1,357,910                       | (1,438,994)                 | (26,972)                                                      | 539,716                                  | 4,770,073                        |
| Pooled property investments  | 71,688                           | 217,567                         | (107,357)                   | (187)                                                         | 3,900                                    | 185,611                          |
| Long term investments        | -                                | 159                             | -                           | -                                                             | -                                        | 159                              |
|                              | <b>4,410,101</b>                 | <b>1,575,636</b>                | <b>(1,546,351)</b>          | <b>(27,159)</b>                                               | <b>543,616</b>                           | <b>4,955,843</b>                 |
| Other investment balances:   |                                  |                                 |                             |                                                               |                                          |                                  |
| • Cash deposits              | 27,434                           |                                 |                             |                                                               |                                          | 81,612                           |
| • Investment income due      | 886                              |                                 |                             |                                                               |                                          | 336                              |
| <b>Net investment assets</b> | <b>4,438,421</b>                 |                                 |                             |                                                               | <b>543,616</b>                           | <b>5,037,791</b>                 |

| Period 2024/25               | Market Value<br>31 March<br>2024 | Purchases<br>during the<br>year | Sales<br>during the<br>year | Investment<br>management<br>expenses<br>deducted at<br>source | Change in<br>value<br>during the<br>year | Market Value<br>31 March<br>2025 |
|------------------------------|----------------------------------|---------------------------------|-----------------------------|---------------------------------------------------------------|------------------------------------------|----------------------------------|
|                              | £000                             | £000                            | £000                        | £000                                                          | £000                                     | £000                             |
| Pooled funds                 | 4,039,955                        | 334,265                         | (189,741)                   | (13,223)                                                      | 167,157                                  | 4,338,413                        |
| Pooled property investments  | 70,239                           |                                 |                             | 13                                                            | 1,436                                    | 71,688                           |
|                              | <b>4,110,194</b>                 | <b>334,265</b>                  | <b>(189,741)</b>            | <b>(13,210)</b>                                               | <b>168,593</b>                           | <b>4,410,101</b>                 |
| Other investment balances:   |                                  |                                 |                             |                                                               |                                          |                                  |
| • Cash deposits              | 129,346                          |                                 |                             |                                                               |                                          | 27,434                           |
| • Investment income due      | 1,829                            |                                 |                             |                                                               |                                          | 886                              |
| <b>Net investment assets</b> | <b>4,241,369</b>                 |                                 |                             |                                                               | <b>168,593</b>                           | <b>4,438,421</b>                 |

# Pension Fund Statement of Accounts 2025/2026

## b) Investments analysed by Fund Manager

| Market value<br>31 March 2025                                |      | Fund Manager                              | Market value<br>31 March 2026 |      |
|--------------------------------------------------------------|------|-------------------------------------------|-------------------------------|------|
| £000                                                         | %    |                                           | £000                          | %    |
| WPP Investment Management Company Ltd                        |      |                                           |                               |      |
| -                                                            | -    | Long term investments                     | 159                           | -    |
| -                                                            | -    |                                           | 159                           | -    |
| Investments managed by the Wales Pension Partnership         |      |                                           |                               |      |
| 2,134,019                                                    | 48.0 | Russell Investments                       | 2,442,503                     | 48.5 |
| -                                                            | -    | Schroders UK Diversified Real Estate Fund | 32,061                        | 0.6  |
| 77,975                                                       | 1.8  | GCM Grosvenor                             | 115,776                       | 2.3  |
| 30,674                                                       | 0.7  | Octopus Renewables                        | 32,586                        | 0.6  |
| 20,448                                                       | 0.5  | CBRE                                      | 125,619                       | 2.5  |
| 54,052                                                       | 1.2  | IFM Investors                             | 57,212                        | 1.1  |
| 4,393                                                        | 0.1  | Capital Dynamics                          | 7,776                         | 0.2  |
| 2,321,561                                                    | 52.3 |                                           | 2,813,533                     | 55.8 |
| Investments managed outside of the Wales Pension Partnership |      |                                           |                               |      |
| 1,273,296                                                    | 28.7 | BlackRock²                                | 1,219,530                     | 24.2 |
| 311,945                                                      | 7.0  | Invesco Perpetual                         | 399,251                       | 7.9  |
| 150,130                                                      | 3.4  | Fidelity International                    | 174,079                       | 3.4  |
| 71,688                                                       | 1.6  | Schroders legacy property funds           | 42,828                        | 0.9  |
| -                                                            | -    | Bridges Fund Management                   | 9,204                         | 0.2  |
| 103,925                                                      | 2.3  | Gresham House                             | 119,803                       | 2.4  |
| 113,003                                                      | 2.5  | Invesco Credit Partners (Cayman)          | 111,495                       | 2.2  |
| 64,620                                                       | 1.5  | Quinbrook                                 | 67,453                        | 1.4  |
| 27,367                                                       | 0.6  | Cash at Administering Authority           | 80,120                        | 1.6  |
| 886                                                          | 0.1  | Other investment balances                 | 336                           | -    |
| 2,116,860                                                    | 47.7 |                                           | 2,224,099                     | 44.2 |
| 4,438,421                                                    | 100  | Total                                     | 5,037,791                     | 100  |

The following investments represent more than 5% of the net assets of the Fund.

|                                              | Market value<br>31 March<br>2025<br>£000 | % of total<br>Fund | Market value<br>31 March<br>2026<br>£000 | % of total<br>Fund |
|----------------------------------------------|------------------------------------------|--------------------|------------------------------------------|--------------------|
| BlackRock ACS World Low Carbon Equity        | 1,048,723                                | 23.6               | -                                        | -                  |
| BlackRock WPP World ESG Insights Equity Fund | -                                        | -                  | 980,957                                  | 19.5               |
| WPP Global Opportunities Fund                | 685,246                                  | 15.4               | 801,102                                  | 15.9               |
| WPP UK Opportunities Fund                    | 607,320                                  | 13.7               | 712,975                                  | 14.2               |
| Invesco Perpetual Asian Equity Fund          | 311,945                                  | 7.0                | 399,251                                  | 7.9                |
| WPP Global Credit Fund                       | 266,269                                  | 6.0                | 277,576                                  | 5.5                |
| WPP Global Government Bond Fund              | 262,059                                  | 5.9                | 268,580                                  | 5.3                |
| Blackrock Ascent Life European Equity Fund   | 224,506                                  | 5.1                | 238,505                                  | 4.7                |
| <b>Total value of investments</b>            | <b>4,438,421</b>                         |                    | <b>5,037,791</b>                         |                    |

<sup>2</sup> Includes the Low Carbon Tracker Equity Fund which was a pre-pooling investment initiative whereby the 8 Welsh LGPS funds issued a joint procurement exercise and appointed Blackrock as the manager to manage the passive equity mandates. The World ESG Insights Equity Fund is a recent bespoke evolution of the pre-existing Low Carbon product.

### 15. Fair value – basis of valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund does not hold any level 1 assets as all equities are held within pooled fund arrangements.

**Level 2** – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data. Level 2 is deemed the most appropriate classification where an investment vehicle is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. The pooled funds, including the WPP ACS held by the Fund at the reporting date, fall into this category as they are not exchange traded and the valuations are based on the quoted prices of the underlying holdings.

**Level 3** – this classification incorporates the financial assets and liabilities which are considered to be the most illiquid and hardest to value, and where fair value for these assets cannot be determined by using readily observable inputs or measures, such as market prices or models. Instead, they are calculated using valuation techniques which are open to interpretation and detailed within the table below.

# Pension Fund Statement of Accounts 2025/2026

## Basis of valuations and estimation techniques

| Description of asset                                                                                                                                                                                                    | Valuation hierarchy | Basis of valuation                                                                                                                                                                                                                                                                                                             | Observable and unobservable inputs                                                                                                                                                                                                                                                   | Key sensitivities affecting the valuations provided                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Pooled Investments - Equity Funds UK and Overseas</b>                                                                                                                                                                | Level 2             | The NAV is calculated based on the market value of the underlying equity assets.                                                                                                                                                                                                                                               | Evaluated price feeds.                                                                                                                                                                                                                                                               | Not required.                                                                                                                                                                                                                                                                                                                  |
| <b>Pooled Investments - Fixed Income Funds UK and Overseas</b>                                                                                                                                                          | Level 2             | The NAV is calculated based on the market value of the underlying fixed income securities.                                                                                                                                                                                                                                     | Evaluated price feeds.                                                                                                                                                                                                                                                               | Not required.                                                                                                                                                                                                                                                                                                                  |
| <b>Pooled Investments - Multi Asset Funds</b>                                                                                                                                                                           | Level 2             | The NAV is calculated based on the market value of the underlying investments and financial instruments.                                                                                                                                                                                                                       | Evaluated price feeds.                                                                                                                                                                                                                                                               | Not required.                                                                                                                                                                                                                                                                                                                  |
| <b>Pooled Investments - Property Funds</b><br>(valuations of underlying property investments)                                                                                                                           | Level 2             | Valuations are based primarily on observable market inputs, including independent property appraisals and comparable market transactions.                                                                                                                                                                                      | Relies on comparable property transactions, market yields, rental evidence and independent appraisals supported by observable market activity.                                                                                                                                       | Not required                                                                                                                                                                                                                                                                                                                   |
| <b>Pooled Investments - Property Funds</b><br>(values assets according to their development stage)<br><br>Methods used to estimate fair value may vary between funds, but estimation techniques are broadly consistent. | Level 3             | Investments are valued using the most appropriate method based on the nature and stage of the underlying asset. Valuations may be based on cost, independent third-party appraisals, quoted market prices, or recognised valuation techniques, including discounted cash flow methodologies and industry valuation guidelines. | Where available, valuations use observable inputs such as quoted market prices, publicly available data and independent third-party appraisals. Where market information is limited or unavailable, unobservable inputs, estimates and assumptions are used to determine fair value. | Valuations are sensitive to the availability and timing of market data and independent appraisals, as well as the assumptions and estimates applied where observable inputs are limited. For investments with limited market activity or no liquid market, realised values may differ materially from the reported valuations. |

## Pension Fund Statement of Accounts 2025/2026

| Description of asset                                                                                                                                                  | Valuation hierarchy | Basis of valuation                                                                                                                                                                                                                                                                | Observable and unobservable inputs                                                                                                                                                                              | Key sensitivities affecting the valuations provided                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Pooled Investments - Private Credit Funds</b><br><br>Methods used to estimate fair value may vary between funds, but estimation techniques are broadly consistent. | Level 3             | Investments are valued using quoted market prices and other verifiable data where available. Where market data is unavailable, fair value is determined using valuation techniques, including discounted cash flow models and counterparty valuations.                            | Observable inputs include quoted market prices and other verifiable market data. Unobservable inputs are used when such information is not available and are incorporated through valuation techniques.         | Valuations are sensitive to the availability of market data and, where unavailable, to the assumptions used in valuation techniques, including discounted cash flow models and counterparty valuations. For quoted debt instruments, valuations may also be sensitive to trade prices and quoted bid/ask prices. |
| <b>Pooled Investments - Infrastructure Funds</b><br><br>Methods used to estimate fair value may vary between funds, but estimation techniques are broadly consistent. | Level 3             | Investments are measured at fair value and valued in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. Where active market quotes are not available, fair value is primarily determined using discounted cash flow methodologies. | Valuations are based on observable data where available. In the absence of active market quotes or sufficient market activity, unobservable inputs, estimates and assumptions are used to determine fair value. | Valuations require significant management judgement due to the absence of quoted market values, limited market activity and the long-term nature of investments. Actual proceeds realised on sale may differ significantly from the reported fair values.                                                        |
| <b>Holdings in WPP IM Co</b>                                                                                                                                          | Level 3             | Held at fair value                                                                                                                                                                                                                                                                | Initially measured at cost                                                                                                                                                                                      | Will be assessed in future for impairment.                                                                                                                                                                                                                                                                       |

# Pension Fund Statement of Accounts 2025/2026

## Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025 and 31 March 2026.

|                                     | Potential variation in fair value<br>(+/-) | Value at 31 March 2026<br>£000 | Potential value on increase<br>£000 | Potential value on decrease<br>£000 |
|-------------------------------------|--------------------------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| Pooled Investments – Private Credit | 7.40%                                      | 204,855                        | 220,014                             | 189,696                             |
| Pooled Investments – Infrastructure | 14.60%                                     | 423,283                        | 485,082                             | 361,484                             |
| Pooled Property - Other             | 15.90%                                     | 112,146                        | 129,977                             | 94,315                              |
| Long term investments               | 0.30%                                      | 159                            | 159                                 | 159                                 |
| <b>Total</b>                        |                                            | <b>740,443</b>                 | <b>835,232</b>                      | <b>645,654</b>                      |

|                                     | Potential variation in fair value<br>(+/-) | Value at 31 March 2025<br>£000 | Potential value on increase<br>£000 | Potential value on decrease<br>£000 |
|-------------------------------------|--------------------------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| Pooled Investments – Private Credit | 7.62%                                      | 182,561                        | 196,472                             | 168,650                             |
| Pooled Investments – Infrastructure | 14.53%                                     | 356,087                        | 407,826                             | 304,348                             |
| <b>Total</b>                        |                                            | <b>538,648</b>                 | <b>604,298</b>                      | <b>472,998</b>                      |

## a) Fair value hierarchy

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

|                                                        | Quoted market price<br><b>Level 1</b><br>£000 | Using observable inputs<br><b>Level 2</b><br>£000 | With significant unobservable inputs<br><b>Level 3</b><br>£000 | <b>Total</b><br>£000 |
|--------------------------------------------------------|-----------------------------------------------|---------------------------------------------------|----------------------------------------------------------------|----------------------|
| <b>Values at 31 March 2026</b>                         |                                               |                                                   |                                                                |                      |
| Financial assets at fair value through profit and loss | -                                             | 4,215,400                                         | 740,443                                                        | 4,955,843            |
| <b>Net investment assets</b>                           | <b>-</b>                                      | <b>4,215,400</b>                                  | <b>740,443</b>                                                 | <b>4,955,843</b>     |

|                                                        | Quoted market price<br><b>Level 1</b><br>£000 | Using observable inputs<br><b>Level 2</b><br>£000 | With significant unobservable inputs<br><b>Level 3</b><br>£000 | <b>Total</b><br>£000 |
|--------------------------------------------------------|-----------------------------------------------|---------------------------------------------------|----------------------------------------------------------------|----------------------|
| <b>Values at 31 March 2025</b>                         |                                               |                                                   |                                                                |                      |
| Financial assets at fair value through profit and loss | -                                             | 3,871,453                                         | 538,648                                                        | 4,410,101            |
| <b>Net investment assets</b>                           | <b>-</b>                                      | <b>3,871,453</b>                                  | <b>538,648</b>                                                 | <b>4,410,101</b>     |

## b) Transfers between levels 1 and 2

No transfers took place in the financial year ending 31 March 2026.

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### c) Reconciliation of fair value measurements within level 3

| Movements 2025/26                   | Infrastructure Funds | Private Credit Funds | Level 3 Property Funds | Level 3 Other | Total          |
|-------------------------------------|----------------------|----------------------|------------------------|---------------|----------------|
|                                     | £000                 | £000                 | £000                   | £000          | £000           |
| <b>Starting Value 31 March 2025</b> | <b>356,087</b>       | <b>182,561</b>       | <b>-</b>               |               | <b>538,648</b> |
| Transfers into level 3              |                      |                      |                        |               |                |
| Transfers out of level 3            |                      |                      |                        |               |                |
| Capital calls (purchases)           | 94,544               | 36,864               | 111,707                | 159           | 243,274        |
| Return of investment (sales)        | (7,420)              | (14,156)             | (1,496)                |               | (23,072)       |
| Unrealised gains and losses         | (19,928)             | (414)                | 1,935                  |               | (18,407)       |
| Realised gains and losses           |                      |                      |                        |               |                |
| <b>Ending Value 31 March 2026</b>   | <b>423,283</b>       | <b>204,855</b>       | <b>112,146</b>         | <b>159</b>    | <b>740,443</b> |

| Movements 2024/25                   | Infrastructure Funds | Private Credit Funds | Level 3 Property Funds | Level 3 Other | Total          |
|-------------------------------------|----------------------|----------------------|------------------------|---------------|----------------|
|                                     | £000                 | £000                 | £000                   | £000          | £000           |
| <b>Starting Value 31 March 2024</b> | <b>181,407</b>       | <b>95,553</b>        |                        |               | <b>276,960</b> |
| Transfers into level 3              |                      |                      |                        |               |                |
| Transfers out of level 3            |                      |                      |                        |               |                |
| Capital calls (purchases)           | 177,890              | 91,527               |                        |               | 269,417        |
| Return of investment (sales)        | (15,604)             | (9,137)              |                        |               | (24,741)       |
| Unrealised gains and losses         | 12,394               | 4,618                |                        |               | 17,012         |
| Realised gains and losses           |                      |                      |                        |               |                |
| <b>Ending Value 31 March 2025</b>   | <b>356,087</b>       | <b>182,561</b>       | <b>-</b>               | <b>-</b>      | <b>538,648</b> |

# Pension Fund Statement of Accounts 2025/2026

## 16. Financial instruments

### a) Classification of financial instruments

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

| Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost |                              | Fair value through profit and loss | Assets at amortised cost | Liabilities at amortised cost |
|------------------------------------|--------------------------|-------------------------------|------------------------------|------------------------------------|--------------------------|-------------------------------|
| 31 March 2025                      |                          |                               |                              | 31 March 2026                      |                          |                               |
| £000                               | £000                     | £000                          |                              | £000                               | £000                     | £000                          |
|                                    |                          |                               | <b>Financial Assets</b>      |                                    |                          |                               |
| 4,338,413                          |                          |                               | Pooled investments           | 4,770,073                          |                          |                               |
| 71,688                             |                          |                               | Pooled property investments  | 185,611                            |                          |                               |
|                                    |                          |                               | Long term investments        | 159                                |                          |                               |
|                                    | 27,434                   |                               | Cash                         |                                    | 81,612                   |                               |
| 886                                |                          |                               | Other investment balances    | 336                                |                          |                               |
|                                    | 16,447                   |                               | Debtors                      |                                    | 17,215                   |                               |
| <b>4,410,987</b>                   | <b>43,881</b>            | <b>-</b>                      |                              | <b>4,956,179</b>                   | <b>98,827</b>            | <b>-</b>                      |
|                                    |                          |                               | <b>Financial liabilities</b> |                                    |                          |                               |
|                                    |                          | (6,287)                       | Creditors                    |                                    |                          | (7,837)                       |
| -                                  | -                        | <b>(6,287)</b>                |                              | -                                  | -                        | <b>(7,837)</b>                |
| <b>4,410,987</b>                   | <b>43,881</b>            | <b>(6,287)</b>                | <b>Total</b>                 | <b>4,956,179</b>                   | <b>98,827</b>            | <b>(7,837)</b>                |
|                                    |                          |                               |                              |                                    |                          |                               |
| <b>4,448,581</b>                   |                          |                               |                              | <b>5,047,169</b>                   |                          |                               |

### b) Net gains and losses on financial instruments

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

| 31 March 2025  |                                                               | 31 March 2026  |  |
|----------------|---------------------------------------------------------------|----------------|--|
| £000           |                                                               | £000           |  |
|                | <b>Financial assets</b>                                       |                |  |
| 168,593        | Fair value through profit and loss                            | 543,616        |  |
| -              | - Amortised cost – realised gains on derecognition of assets  | -              |  |
| -              | - Amortised cost – unrealised gains                           | -              |  |
|                | <b>Financial liabilities</b>                                  |                |  |
| -              | - Fair value through profit and loss                          | -              |  |
| -              | - Amortised cost – realised losses on derecognition of assets | -              |  |
| -              | - Amortised cost – unrealised losses                          | -              |  |
| <b>168,593</b> | <b>Total</b>                                                  | <b>543,616</b> |  |



## 17. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of The Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the pension fund's operations, then reviewed regularly to reflect changes in activity and market conditions.

### Overall procedures for managing risk

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

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

### Funding risks

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

The Fund manages these funding risks by: -

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

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## Asset risks

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

The Fund measures and manages these Asset risks by: -

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

## Other provider risk

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

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

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

The full version of the Investment Strategy Statement is available on the Pension Fund's website:

[Investment Strategy Statement](#)

## a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

The pension fund's funding position is sensitive to market price changes on two levels. Changes in the market price of investments such as equities, affect the net assets available to fund promised member benefits. Changes in the yields (and thus price) of bonds, as well as affecting asset values, also affect the value placed on the pension fund's liabilities within its overall funding calculations.

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

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

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

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because 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 by factors affecting all such instruments in the market.

The Fund is exposed to indirect UK/Overseas share and bond price risk within its pooled fund holdings. The risks arise from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The selection of investments is controlled and monitored by the council relative to limits specified by the Fund's investment strategy and the Fund's investment managers further mitigate this risk through diversification and by investing in line with the confines of the Fund's Investment Strategy Statement.

# Pension Fund Statement of Accounts 2025/2026

## Other price risk – sensitivity analysis

In consultation with its actuary, the Fund has determined that the following movements in market price risk are reasonably possible as at 31 March 2026.

| Asset type                    | 1 year expected volatility |
|-------------------------------|----------------------------|
| Total Fund                    | 13.2%                      |
| UK Equities                   | 18.0%                      |
| Overseas Equities             | 18.6%                      |
| Emerging Market Equities      | 26.9%                      |
| Government Bonds <sup>3</sup> | 5.4%                       |
| Corporate Bonds <sup>4</sup>  | 6.3%                       |
| Pooled Property investments   | 15.9%                      |
| Multi Asset Funds             | 8.7%                       |
| Alternatives (Private Credit) | 7.4%                       |
| Alternatives (Infrastructure) | 14.6%                      |
| Cash                          | 0.3%                       |

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory.

To provide some context to this, the Fund actuary's recent view on long term positive performance assumptions of the various asset classes in which the Fund invests are noted within the table below:

| Asset type                     | Long term performance Assumptions (20 years annualised) |
|--------------------------------|---------------------------------------------------------|
| UK Equities                    | 7.9%                                                    |
| Overseas Equities (inc. EM)    | 8.1%                                                    |
| Government Bonds (Medium Term) | 6.1%                                                    |
| Corporate Bonds (Medium Term)  | 6.7%                                                    |
| Property                       | 6.8%                                                    |
| Multi Asset Funds              | 6.9%                                                    |
| Alternatives (Private Credit)  | 7.9%                                                    |
| Alternatives (Infrastructure)  | 7.7%                                                    |
| Cash                           | 4.0%                                                    |

<sup>3</sup> Includes exposure to Overseas Government Bonds. The total exposure to Overseas Government Bonds is £254.5m.

<sup>4</sup> Includes exposure to Overseas Corporate Bonds. The total exposure to Overseas Corporate Bonds is £257.8m.

## Pension Fund Statement of Accounts 2025/2026

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

| Asset type                          | Value as at<br>31 March<br>2026<br>£000 | Potential<br>market<br>movements<br>% | Potential<br>value on<br>increase<br>£000 | Potential<br>value on<br>decrease<br>£000 |
|-------------------------------------|-----------------------------------------|---------------------------------------|-------------------------------------------|-------------------------------------------|
| Cash and accruals                   | 81,948                                  | 0.30                                  | 82,194                                    | 81,702                                    |
| <b>Investment portfolio assets:</b> |                                         |                                       |                                           |                                           |
| UK Equities                         | 712,975                                 | 18.00                                 | 841,311                                   | 584,640                                   |
| Overseas Equities                   | 2,613,278                               | 18.60                                 | 3,099,348                                 | 2,127,208                                 |
| Emerging Market Equities            | 142,540                                 | 26.90                                 | 180,883                                   | 104,197                                   |
| Government Bonds                    | 268,580                                 | 5.40                                  | 283,083                                   | 254,077                                   |
| Corporate Bonds                     | 277,576                                 | 6.30                                  | 295,063                                   | 260,089                                   |
| Pooled Property Investments         | 185,611                                 | 15.90                                 | 215,123                                   | 156,099                                   |
| Multi Asset Funds                   | 126,986                                 | 8.70                                  | 138,034                                   | 115,938                                   |
| Alternatives (Private Credit)       | 204,855                                 | 7.40                                  | 220,014                                   | 189,696                                   |
| Alternatives (Infrastructure)       | 423,283                                 | 14.60                                 | 485,082                                   | 361,484                                   |
| Cash advance to WPP IM Co           | 159                                     | 0.30                                  | 159                                       | 159                                       |
| <b>Total Fund</b>                   | <b>5,037,791</b>                        |                                       | <b>5,840,294</b>                          | <b>4,235,289</b>                          |

| Asset type                          | Value as at<br>31 March<br>2025<br>£000 | Potential<br>market<br>movements<br>% | Potential<br>value on<br>increase<br>£000 | Potential<br>value on<br>decrease<br>£000 |
|-------------------------------------|-----------------------------------------|---------------------------------------|-------------------------------------------|-------------------------------------------|
| Cash and accruals                   | 28,320                                  | 0.30                                  | 28,405                                    | 28,235                                    |
| <b>Investment portfolio assets:</b> |                                         |                                       |                                           |                                           |
| UK Equities                         | 607,320                                 | 16.26                                 | 706,070                                   | 508,570                                   |
| Overseas Equities                   | 2,441,268                               | 18.64                                 | 2,896,320                                 | 1,986,216                                 |
| Emerging Market Equities            | 107,040                                 | 24.30                                 | 133,051                                   | 81,029                                    |
| Government Bonds                    | 262,059                                 | 5.47                                  | 276,394                                   | 247,724                                   |
| Corporate Bonds                     | 266,269                                 | 6.54                                  | 283,683                                   | 248,855                                   |
| Pooled Property Investments         | 71,688                                  | 15.20                                 | 82,585                                    | 60,791                                    |
| Multi Asset Funds                   | 115,809                                 | 8.57                                  | 125,734                                   | 105,884                                   |
| Alternatives (Private Credit)       | 182,561                                 | 7.62                                  | 196,472                                   | 168,650                                   |
| Alternatives (Infrastructure)       | 356,087                                 | 14.53                                 | 407,826                                   | 304,348                                   |
| <b>Total Fund</b>                   | <b>4,438,421</b>                        |                                       | <b>5,136,540</b>                          | <b>3,740,302</b>                          |

### Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. The Fund's actuary has suggested that a +/- 100bps (1%) change in interest rates is sensible for the interest rate risk sensitivity analysis. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

### Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that an increase in the interest rate does not affect the interest received on fixed interest assets, but it does result in a decrease in the fair value of the bond portfolio and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

## Pension Fund Statement of Accounts 2025/2026

Assets exposed to interest rate risk<sup>5</sup>:

| Exposure to interest rate risk          | Asset Values<br>as at 31<br>March 2026<br>£000 | Impact of 1%<br>increase<br>£000 | Impact of 1%<br>decrease<br>£000 |
|-----------------------------------------|------------------------------------------------|----------------------------------|----------------------------------|
| Cash in house and with managers         | 81,948                                         | 81,948                           | 81,948                           |
| Cash advance to WPP IM Co               | 159                                            | 159                              | 159                              |
| LF Wales PP Global Government Bond Fund | 268,580                                        | 251,928                          | 285,231                          |
| LF Wales PP Global Credit Fund          | 277,576                                        | 261,477                          | 293,675                          |
| <b>Total</b>                            | <b>628,263</b>                                 | <b>595,512</b>                   | <b>661,013</b>                   |

| Exposure to interest rate risk          | Asset Values<br>as at 31<br>March 2025<br>£000 | Impact of 1%<br>increase<br>£000 | Impact of 1%<br>decrease<br>£000 |
|-----------------------------------------|------------------------------------------------|----------------------------------|----------------------------------|
| Cash in house and with managers         | 28,320                                         | 28,320                           | 28,320                           |
| LF Wales PP Global Government Bond Fund | 262,059                                        | 245,549                          | 278,569                          |
| LF Wales PP Global Credit Fund          | 266,269                                        | 250,026                          | 282,511                          |
| <b>Total</b>                            | <b>556,648</b>                                 | <b>523,895</b>                   | <b>589,400</b>                   |

| Exposure to interest rate risk          | Interest<br>receivable<br>2025/26<br>£000 | Value on 1%<br>increase<br>£000 | Value on 1%<br>decrease<br>£000 |
|-----------------------------------------|-------------------------------------------|---------------------------------|---------------------------------|
| Cash in house and with managers         | 1,206                                     | 1,218                           | 1,194                           |
| Cash advance to WPP IM Co               | -                                         | -                               | -                               |
| LF Wales PP Global Government Bond Fund | -                                         | -                               | -                               |
| LF Wales PP Global Credit Fund          | -                                         | -                               | -                               |
| <b>Total</b>                            | <b>1,206</b>                              | <b>1,218</b>                    | <b>1,194</b>                    |

| Exposure to interest rate risk          | Interest<br>receivable<br>2024/25<br>£000 | Value on 1%<br>increase<br>£000 | Value on 1%<br>decrease<br>£000 |
|-----------------------------------------|-------------------------------------------|---------------------------------|---------------------------------|
| Cash in house and with managers         | 1,647                                     | 1,664                           | 1,631                           |
| LF Wales PP Global Government Bond Fund | -                                         | -                               | -                               |
| LF Wales PP Global Credit Fund          | -                                         | -                               | -                               |
| <b>Total</b>                            | <b>1,647</b>                              | <b>1,664</b>                    | <b>1,631</b>                    |

### Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. In terms of currency risk however it is important to note that the Fund's investments are diversified across all the world's major markets and currencies and, as one currency may fall in value, another will increase. This fact is seen as a major element of intrinsic risk control within the Fund's overseas investments. In terms of indirect, sterling denominated pooled funds therefore, the following table summarises the value of the Fund's potential underlying currency exposure for the last two financial years.

Following analysis of historical data by the Fund's Actuary, the 1 year expected standard deviation for an individual currency as at 31 March 2026 is 8.7% (9.1% as at 31 March 2025). This assumes no diversification with other assets and that interest rates remain constant.

<sup>5</sup> Interest rate sensitivity information for fixed income is calculated by the Fund's actuary based on the duration of bonds within the Fund's portfolio.

## Pension Fund Statement of Accounts 2025/2026

An 8.7% strengthening/weakening of the pound against the various currencies in which the Fund holds overseas investments would increase/decrease the net assets available to pay benefits as follows:

### Currency risk - sensitivity analysis<sup>6</sup>

| Assets exposed to currency risk                         | Asset value as at 31 March 2026<br>£000 | Potential market movement<br>% | Value on increase<br>£000 | Value on decrease<br>£000 |
|---------------------------------------------------------|-----------------------------------------|--------------------------------|---------------------------|---------------------------|
| Overseas Equities                                       | 2,613,278                               | 8.7                            | 2,840,633                 | 2,385,923                 |
| Emerging Market Equities                                | 254,485                                 | 8.7                            | 276,625                   | 232,345                   |
| Overseas Government Bonds                               | 257,768                                 | 8.7                            | 280,194                   | 235,342                   |
| Overseas Corporate Bonds                                | 142,540                                 | 8.7                            | 154,941                   | 130,139                   |
| Multi Asset Income Fund                                 | 126,986                                 | 8.7                            | 138,034                   | 115,938                   |
| Global Private Credit Funds                             | 204,855                                 | 8.7                            | 222,677                   | 187,033                   |
| Global Infrastructure Funds                             | 228,251                                 | 8.7                            | 248,109                   | 208,393                   |
| Global Property Fund                                    | 102,942                                 | 8.7                            | 111,898                   | 93,986                    |
| <b>Total change in assets available to pay benefits</b> | <b>3,931,105</b>                        |                                | <b>4,273,111</b>          | <b>3,589,099</b>          |

| Assets exposed to currency risk                         | Asset value as at 31 March 2025<br>£000 | Potential market movement<br>% | Value on increase<br>£000 | Value on decrease<br>£000 |
|---------------------------------------------------------|-----------------------------------------|--------------------------------|---------------------------|---------------------------|
| Overseas Equities                                       | 2,441,268                               | 9.1                            | 2,663,423                 | 2,219,113                 |
| Emerging Market Equities                                | 255,691                                 | 9.1                            | 278,959                   | 232,423                   |
| Overseas Government Bonds                               | 230,056                                 | 9.1                            | 250,991                   | 209,121                   |
| Overseas Corporate Bonds                                | 107,040                                 | 9.1                            | 116,781                   | 97,299                    |
| Multi Asset Income Fund                                 | 115,809                                 | 9.1                            | 126,348                   | 105,270                   |
| Global Private Credit Funds                             | 182,561                                 | 9.1                            | 199,174                   | 165,948                   |
| Global Infrastructure Funds                             | 183,148                                 | 9.1                            | 199,814                   | 166,482                   |
| <b>Total change in assets available to pay benefits</b> | <b>3,515,573</b>                        |                                | <b>3,835,490</b>          | <b>3,195,656</b>          |

## b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets and cash deposits. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk. The pension fund reviews its exposure to its investment manager, credit, and counterparty risk by the review of the managers' annual internal control reports. These documents are themselves subject to independent review by the investment managers' own appointed auditors to help provide assurance that managers exercise reasonable care and due diligence in its activities for the pension fund, such as in the selection and use of brokers. The most tangible element of credit risk faced by the Fund is however in the form of its cash investments placed with banks and other financial institutions. These investments are managed in-house and, to minimise the credit risk in respect of these investments, a specific Cash Management Strategy is annually put before the Pension Committee for their consideration and approval followed by regular review. The Pension Fund's Cash Management Strategy is prepared and presented to the Pension Committee annually and sets out the criteria for investments; the institutions with which they can be placed; the maximum value that can be placed with each institution and the maximum period for which money can be invested.

<sup>6</sup> Overseas exposure in bond funds based on valuations as at 31 March 2026 and regional asset allocation as at 31 December 2025



## Pension Fund Statement of Accounts 2025/2026

The strategy references and details the Fund's processes and procedures in terms of its cash management and how specialist external advice is used within the process.

The Pension Fund utilises the services of MUFG Pension & Market Services for formulating and monitoring the Fund's list of approved counterparties. MUFG Pension & Market Services use a comprehensive method of assessing counterparty's credit ratings which includes overlaying the three credit rating agencies' scores with additional data, relative to each institution, such as rating watches and CDS spreads where available to advise of a maximum suggested investment period with that counterparty.

The Fund believes that it has, through a continuing difficult period for financial markets and institutions, adequately managed its exposure to credit risk. The Fund has experienced no defaults from fund managers, brokers, or bank accounts. The Fund's cash holding under its treasury management arrangements at 31 March 2026 was £80.120m (31 March 2025 was £27.367m) and this was held with financial institutions as follows:

| Cash on deposit with Administering Authority financial institutions <sup>7</sup> | Rating (Fitch Long Term) (at 31 March 2026) | Balances as at 31 March 2025 £000 | Balances as at 31 March 2026 £000 |
|----------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Money Market Funds</b>                                                        |                                             |                                   |                                   |
| Aberdeen Standard Liquidity Fund                                                 | AAA                                         | 15,000                            | 25,000                            |
| Blackrock Institutional Sterling Liquidity Fund                                  | AAA                                         | 10,000                            | 13,500                            |
| Deutsche Managed Sterling Fund                                                   | AAA                                         | -                                 | 9,500                             |
| Invesco Sterling Liquidity Portfolio                                             | AAA                                         | -                                 | 25,000                            |
| State Street GBP Liquidity Fund                                                  | AAA                                         | -                                 | 6,500                             |
| <b>Bank Current Accounts</b>                                                     |                                             |                                   |                                   |
| TCBC Pension Fund                                                                |                                             | 2,367                             | 620                               |
| <b>Total</b>                                                                     |                                             | <b>27,367</b>                     | <b>80,120</b>                     |

### c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The main risk for the pension fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this risk, the Fund monitors its cash flow to ensure that cash is available when needed. The Fund further manages its liquidity risk by maintaining its cash investments within money market funds allowing same day access to cash deposited without penalty. Indeed, at 31 March 2026, all pension fund cash balances were spread across such immediate access accounts. The Fund still retains the option to invest within fixed term deposits but, in accordance with the cash management strategy, these must currently be of maximum 6 months duration and placed with UK banks. At any point in time the whole of the Fund's cash investments can therefore be deemed to be reasonably liquid in that they could be 100% redeemed within a six-month period if required. In practice, however, most cash deposits will be available to a much shorter timescale, as demonstrated at the year-end when all cash deposits were immediately available should this have been required.

The Pension Fund has a strategic allocation of 0-5% for cash. The cash balance is routinely monitored and rebalanced as necessary in accordance with the Fund's strategy. In general, levels of cash on hand are kept to a minimum and used primarily for operational purposes and to meet private market transactions, which are increasingly material as the Fund shifts its strategic allocation. However, the Fund allocated 1.6% (£80.12m) of fund assets to cash at Torfaen at year end to cover a transitional period as the WPP establishes a stand-alone Financial Conduct Authority authorised investment management company (WPP IM Co) in line with Government criteria.

<sup>7</sup> Excludes cash held and managed at 31 March 2026 by external investment managers BlackRock and Schroders



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

## Refinancing risk

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

## 18. Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The key elements of the Funding Strategy Statement (FSS) are:

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

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

18.3 The Actuarial valuation that affected these accounts was carried out as at 31 March 2022. That valuation showed that the employers would need to pay different contributions to the Fund from 1 April 2023 until 31 March 2026. The primary contribution rate is 20.6% of pensionable pay. Individual employer rates vary from the common rate depending on demographic and actuarial factors particular to each employer. Members' contribution rates range from 5.5% to 12.5% depending on their salary.

18.4 Full details of the contribution rates payable can be found in the 2022 Actuarial Valuation report and the Funding Strategy Statement in the 'Funding' section on the Fund's website:

### [Funding Strategy Statement](#)

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

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

18.5 The 2022 Actuarial Valuation was carried out as at 31 March 2022 and the resulting changes to contribution rates applied from 1 April 2023. The market value of the Fund's assets as at the 2022 valuation was £3,768million. At the valuation date, the Fund's liabilities exceeded the assets by £118million giving a revised funding level of 97% (the funding level at the 2019 valuation was 86%) and the funding deficit declined in monetary terms. The main reason for the increase in the funding position once again was the positive investment returns during the period.

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- 18.6 The Actuary (Hymans Robertson) has used a Risk Based Method for this valuation. For most employers, the contribution rates which apply are based upon recovery of the deficit over a maximum period of 20 years.
- 18.7 A new Actuarial Valuation was carried out as at 31 March 2025 and the resulting changes to contribution rates will apply from 1 April 2026. The market value of the Fund's assets as at the 2025 valuation was £4,449million. At the valuation date, the Fund's assets exceeded the liabilities by £1,135million giving a revised funding level of 134% (the funding level at the 2022 valuation was 97%). The main reason for the increase in the funding position once again was the positive investment returns during the period.
- 18.8 The financial assumptions adopted by the Actuary were as follows: -

|                           | Funding Target |      |
|---------------------------|----------------|------|
|                           | 2022           | 2025 |
| Discount Rate             | 4.3%           | 6.0% |
| Pensionable pay increases | 3.2%           | 3.0% |
| Pension increases         | 2.7%           | 2.3% |

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

[Actuarial valuation at 31 March 2022](#)

[Actuarial valuation at 31 March 2025](#)

## 19. Actuarial present value of promised retirement benefits

- 19.1 The Code requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS19 rather than the assumptions and methodology used for funding purposes. To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2026 (the 31 March 2025 assumptions are included for comparison).

|                                       | 31 March 2025   | 31 March 2026   |
|---------------------------------------|-----------------|-----------------|
| Discount rate (return on investments) | 5.80% per annum | 6.20% per annum |
| Rate of salary increases              | 3.25% per annum | 3.70% per annum |
| Rate of increase in pensions          | 2.75% per annum | 3.00% per annum |

- 19.2 The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2023:

[Actuarial valuation at 31 March 2022](#)

- 19.3 During the year, investment returns have increased compared to last year's assumption and this has led to a positive return for IAS26 purposes (6.20% p.a. versus 5.80% p.a.). The expected long-term rate of CPI inflation (RPI-CPI gap) has increased during the year resulting in a decrease in the assumption for pension increases (3.00% p.a. versus 2.75%). The other experience items show a loss in applying the Pensions Increase Order for 2025 of 3.8% as it was higher than the assumption used in the obligations at the start of the period.
- 19.4 The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2025 was estimated as £3,575million. The impact of the changes in financial assumptions between 31 March 2025 and 31 March 2026 as described above is to decrease the Fund liabilities by £92million.

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- 19.5 There are also changes to demographic assumptions, which have further decreased the liabilities by £65million. The remaining increase in obligation of £406million includes the accrual of benefits for active members over 2025/26 and an increase with interest over the year of the obligations value at 2025.
- 19.6 The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2026 is therefore £3,824million.

### 20. Current assets

| 31 March 2025<br>£000 |                               | 31 March 2026<br>£000 |
|-----------------------|-------------------------------|-----------------------|
|                       | <b>Short term debtors</b>     |                       |
| 3,049                 | Contributions due - employees | 3,227                 |
| 11,404                | Contributions due - employers | 11,978                |
| 14,453                |                               | 15,205                |
| 1,527                 | Early retirement costs        | 1,387                 |
| 299                   | Fund manager fee rebates      | 381                   |
| 168                   | Sundry debtors                | 242                   |
| <b>16,447</b>         |                               | <b>17,215</b>         |

#### a) Funding of early retirement costs

During 2025/26 the cost to the pension fund of early retirements arising in the year was £5,156,407 which is paid by the employers in instalments over periods of up to five years. The cost includes the extra years of pension payments because of employees retiring early. The cost of early retirements is worked out by specialist computer software and is recovered from the respective employers. The Actuary has reflected this approach in the contribution levels.

The amounts included within the accounts are the instalments that are due in 2025/26 and in future financial years for early retirements known as at 31 March 2026. These are summarised in the following table: -

|                                                   | £000    | £000         |
|---------------------------------------------------|---------|--------------|
| Instalments falling due in 2025/26 in respect of: |         |              |
| Prior Years                                       | 372     |              |
| Current Year                                      | 4,962   | 5,334        |
| Balances b/f 1 April 2025                         | 1,527   |              |
| Payments Received in 2025/26                      | (5,433) |              |
| Reversal of previous instalments due              | (1,169) | (5,075)      |
| Instalments due for 2026/27                       | 425     |              |
| Instalments due for 2027/28 & later years         | 703     | 1,128        |
| <b>2025/26 Debtor</b>                             |         | <b>1,387</b> |

The instalments due for 2026/27 and future years have been included in accordance with the guidance notes issued with the Code of Practice on Local Authority Accounting 2025/26.

# Pension Fund Statement of Accounts 2025/2026

## 21. Current liabilities

| 31 March 2025<br>£000 |                     | 31 March 2026<br>£000 |
|-----------------------|---------------------|-----------------------|
| (5,016)               | Benefits payable    | (5,686)               |
| (1,006)               | Management expenses | (1,556)               |
| (265)                 | Sundry creditors    | (595)                 |
| <b>(6,287)</b>        |                     | <b>(7,837)</b>        |

## 22. Additional voluntary contributions

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

| Market value<br>31 March 2025<br>£000 | AVC provider                                         | Market value<br>31 March 2026<br>£000 |
|---------------------------------------|------------------------------------------------------|---------------------------------------|
| 4,973                                 | Standard Life                                        | 5,529                                 |
| 1,900                                 | Clerical Medical                                     | 1,885                                 |
| 478                                   | Utmost Life and Pensions (previously Equitable Life) | 437                                   |
| <b>7,351</b>                          |                                                      | <b>7,851</b>                          |

| Contribution<br>Received<br>31 March 2025<br>£000 | AVC provider                                         | Contribution<br>Received<br>31 March 2026<br>£000 |
|---------------------------------------------------|------------------------------------------------------|---------------------------------------------------|
| 1,020                                             | Standard Life                                        | 1,595                                             |
| 309                                               | Clerical Medical                                     | 369                                               |
| 1                                                 | Utmost Life and Pensions (previously Equitable Life) | 1                                                 |
| <b>1,330</b>                                      |                                                      | <b>1,965</b>                                      |

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

## 23. Agency services

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

| 31 March 2025<br>£000 |                                | 31 March 2026<br>£000 |
|-----------------------|--------------------------------|-----------------------|
| 11                    | Central Government             | 12                    |
| 8,935                 | Other Local Authorities        | 8,650                 |
| 19                    | Other entities and individuals | 37                    |
| <b>8,965</b>          |                                | <b>8,699</b>          |

## 24. Related party transactions

24.1 While fulfilling its role as administering authority, Torfaen CBC provide services to the Fund. Costs are normally in respect of those staff employed in ensuring the pension service is delivered and are included in the accounts within management expenses (Note 11, page 20). Related parties to the pension fund include all employers within the Fund and members of the Pension Committee. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party.

### 24.2 Governance

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

### 24.3 Key management personnel

There are two employees of Torfaen CBC who hold key positions in the financial management of the Fund. They are the Section 151 Officer and the Head of Pensions. The proportion of their time allocated to the management of the Fund is 15% and 100% respectively. Total remuneration payable for 2024/25 and 2025/26 is set out below for their time apportioned to the Fund.

| 31 March 2025 |                          | 31 March 2026 |
|---------------|--------------------------|---------------|
| £000          |                          | £000          |
| 96            | Short-term benefits      | 111           |
| (7)           | Post-employment benefits | 12            |
| <b>89</b>     |                          | <b>123</b>    |

Please note that within the post-employment benefits earned in the table above, the values present the movements between financial periods relating to key management personnel as required by the code.

## Further Information

If you require any further information regarding the Greater Gwent (Torfaen) Pension Fund Statement of Accounts, please contact:

**Joanne Griffiths**

Head of Pensions

Tel: 01495 766280

E-mail: [joanne.griffiths@torfaen.gov.uk](mailto:joanne.griffiths@torfaen.gov.uk)