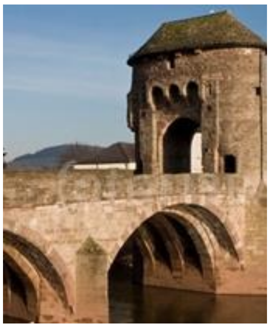
Greater Gwent (Torfaen) Pension Fund
Statement of Accounts

2024/2025

Published subject to audit

Andrew Lovegrove, FCA
Strategic Director Resources


www.gwentpensionfund.co.uk

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STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS

The Council's responsibilities as Administering Authority

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; in this Council, 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 2025.

Signed by:

Andrew Lovegrove, FCA
Strategic Director Resources (S151 Officer)
Date: 5 June 2025

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 2025 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 2024-25.

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 2025, 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 2024-25

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.

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
- 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; and
- 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; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

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. 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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Fund Account for the Year Ended 31 March 2025

	Note	2023/2024 £000	2024/2025 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	(168,556)	(179,461)
Transfers in from other pension funds	8	(11,751)	(11,933)
		(180,307)	(191,394)
Benefits	9	158,937	175,015
Payments to and on account of leavers	10	8,887	18,741
Other payments	13b	2,760	19,811
		170,584	213,567
Net (additions)/withdrawals from dealings with members		**(9,723)**	**22,173**
Management expenses	11	17,913	17,012
Net (additions)/withdrawals including fund management expenses		**8,190**	**39,185**
Returns on investments			
Investment income	12	(60,933)	(70,582)
Profit and losses on disposal of investments and changes in the market value of investments	14a	(432,970)	(168,593)
Net return on investments		**(493,903)**	**(239,175)**
Net (increase)/decrease in the net assets available for benefits during the year		**(485,713)**	**(199,990)**
Opening net assets of the scheme		**(3,762,878)**	**(4,248,591)**
Closing net assets of the scheme		**(4,248,591)**	**(4,448,581)**

Net Assets Statement for the Year Ended 31 March 2025

	Note	2023/24 £000	2024/25 £000
Investment assets	14	4,241,369	4,438,421
Investment liabilities	14	-	-
Total net investments		**4,241,369**	**4,438,421**
Current assets	20	15,278	16,447
Current liabilities	21	(8,056)	(6,287)
Net assets of the Scheme available to fund benefits at 31st March		**4,248,591**	**4,448,581**

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.

Appendix 2

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 2024/2025 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 53 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.

Appendix 2

Fund Membership

	Active Members 31/03/24	Active Members 31/03/25
Administering Authority		
Torfaen CBC	3,244	3,280
Current Scheduled Bodies		
Blaenau Gwent CBC	2,772	2,796
Caerphilly CBC	7,246	7,099
Monmouthshire CC	3,612	3,531
Newport City Council	4,501	4,649
Valuation Panel	9	11
Coleg Gwent	681	665
Chepstow Town Council	11	10
Brynmawr Town Council	1	1
Chief Constable (Gwent)	1,010	952
Police & Crime Commissioner (Gwent)	18	25
Caldicot Town Council	2	3
Nantyglo & Blaina Town Council	2	1
Monmouth Town Council	3	3
Gwent Cremation Committee	11	9
Cwmbran Community Council	9	9
Pontypool Community Council	9	9
Tredegar Town Council	2	2
Rogerstone Community Council	5	5
Bargoed Town Council	2	2
Portskewett Community Council	1	1
Shirenewton Community Council	1	1
Magor with Undy Community Council	2	3
Llanfoist Fawr Community Council	1	1
BTM CC	2	2
Abertillery & Llanhillith Community Council	2	3
Abergavenny Town Council	3	3
Croesyceiliog & Llanyrafon Community Council	2	2
Shared Resource Service	230	233
Llanbradach & Pwll-y-pant Community Council	1	1
Vann Community Council	1	1
Rogiet Community Council	1	1
Blaenavon Town Council	2	2
Devauden Community Council	0	1
Deemed Bodies		
Newport Transport	5	3
Admitted Bodies		
Careers Wales Gwent	107	101
Citizen Advice Bureau Caerphilly	5	3
Hafod Care[1]	4	0
Archives	16	19
Monmouthshire Housing	208	205
Bron Afon[2]	254	0
Newport City Homes	386	431
Tai Calon	158	141

[1] Ceased participation in the scheme on 31st March 2024

[2] Ceased participation in the scheme on 31st July 2024

Appendix 2

	Active Members 31/03/24	Active Members 31/03/25
Admitted Bodies continued		
Drive	2	2
Vinci	1	1
Compass Catering	13	11
National Trust	2	0
EAS	65	66
Just Perfect Catering	7	5
Churchill	3	3
Torfaen Leisure Trust	219	192
NCS Norse	133	137
Life Leisure	294	307
Newport Live	294	280
Alliance in Partnership	1	0
Radis	31	21
Arwen Cultural Trust	3	3
Total Active Membership	25,610	25,248
Total Deferred Members	19,700	20,128
Total Pensioners and Dependants	21,047	21,983
Total Membership	**66,357**	**67,359**

1.3 **Benefits**

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

1.4 **Funding**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. 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.

2. Basis of preparation

2.1 The statement of accounts summarises the Fund's transactions for the 2024/25 financial year and its financial position at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 accrual's 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 a higher unit price, with the following exceptions:

  a) The Fidelity Multi Asset Income Fund generates income distributions; this income is currently reinvested by the fund manager each month as a purchase of additional units.
  b) The Wales Pension Partnership distributes income earned within the funds on its ACS platform when there is sufficient income to do so; this income is reinvested as a purchase of additional units in the fund, which thereby increases the market value of assets.
  c) Dividends are paid out by most of the property pooled funds held by the Fund either monthly or quarterly.

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

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

3.2 Fund Account – Expense Items

i) Benefits Payable

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year. Pensions and lump-sum benefits payable include all amounts due as at 31 March in any year. The Fund does not normally account for, or disclose the effects on, benefits payable of any former employee decisions that occur post 24th 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 2024/2025 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 2024/25 £3.37m of management expenses are based on such estimates (£0.04m in 2023/24) 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).

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. There is no direct investment in the third party and therefore no investment balance. Each Fund retains responsibility for its own funding requirements and investment strategy but then uses the WPP to implement its investment requirements thereby aiming to achieve economies of scale in fees. The costs of running the WPP are shared by the eight partners (see Note 13(a) page 21).

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 39).

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 41.

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 38. 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 39. 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)	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. 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.	The sensitivity to the financial assumptions used to measure the pension fund liabilities can be measured. For the year ended 31 March 2025; 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 £4m; and a 0.1% increase in the pension increase rate would increase the liabilities by approximately £61m. 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 £143m.

Item	Uncertainties	Effect if actual results differ from assumptions
Level 3 investments (Note 15)	Level 3 investments are not publicly listed and as such there is a degree of estimation involved in the valuation. 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.	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 £538.648m as of 31 March 2025. The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 15.

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 2025 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 2024/25 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

2023/24 £000		2024/25 £000
(35,913)	Employees normal contributions	(37,107)
(209)	Employees 50:50 contributions	(214)
(17)	Employees additional contributions	(25)
(36,139)	**Total Employees contributions**	**(37,346)**
(111,071)	Employers normal contributions	(115,583)
(19,470)	Employers deficit recovery contributions	(24,203)
(1,876)	Employers augmentation contributions	(2,329)
(132,417)	**Total Employers contributions**	**(142,115)**
(168,556)	**Total contributions receivable**	**(179,461)**

By type of employer

2023/24 £000		2024/25 £000
(23,638)	Administering Authority	(25,102)
(130,086)	Scheduled bodies	(140,991)
(42)	Deemed bodies	(40)
(14,790)	Admitted bodies	(13,328)
(168,556)		**(179,461)**

Appendix 2

Contributions received in 2024/25 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Administering Authority	4,980	20,122	25,102	24,141
Torfaen CBC				
Scheduled Bodies				
Blaenau Gwent CBC	3,921	17,248	21,169	21,475
Caerphilly CBC	9,867	39,625	49,492	42,147
Monmouthshire CC	4,756	19,246	24,002	20,144
Newport City Council	6,237	23,731	29,968	27,002
Valuation Panel	27	92	119	43
Coleg Gwent	1,016	3,447	4,463	4,338
Coleg Gwent Training	0	0	0	19
Chepstow Town Council	13	48	61	22
Brynmawr Town Council	1	0	1	10
Gwent Police Authority	0	0	0	2,254
Chief Constable (Gwent)	2,223	6,416	8,639	3,428
Police & Crime Comm (Gwent)	88	223	311	154
Gwent Magistrates	0	0	0	516
Caldicot Town Council	6	13	19	19
Nantyglo & Blaina Town Council	3	10	13	10
Monmouth Town Council	6	20	26	11
Gwent Cremation Committee	16	26	42	160
Cwmbran Community Council	15	55	70	57
Pontypool Community Council	15	55	70	89
Tredegar Town Council	3	8	11	6
Rogerstone Community Council	9	34	43	49
Bargoed Town Council	2	8	10	11
Portskewett Community Council	1	2	3	2
Shirenewton Community Council	1	3	4	2
Henllys Community Council	0	0	0	1
Magor with Undy Com Council	3	17	20	41
Caerwent Community Council	0	0	0	5
Llanfoist Fawr Community Council	1	2	3	0
Croesyceiliog & LLanyrafon CC	1	7	8	3
Abergavenny TC	5	15	20	0
BTM Community Council	3	10	13	0
Abertillery & LLanhilleth CC	5	19	24	0
Shared Resource Service	566	1,774	2,340	586
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	3	11	14	0
Devauden Community Council	0	1	1	0
Former Scheduled Bodies				
Gwent County Council	0	0	0	9,143
Commission for New Towns	0	0	0	508
Deemed Bodies				
Islwyn Transport	0	0	0	173
Newport Transport	9	31	40	1,127

Appendix 2

Contributions received in 2024/25 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Admitted Bodies				
Big Pit	0	0	0	16
Melin Homes (formerly EVHA)	0	0	0	353
Careers Wales Gwent	205	740	945	1,215
Citizen Advice Bureau Caerphilly	13	173	186	111
Mitie (formerly Ballast)	0	0	0	15
CWVYS	0	3	3	25
Canllaw	0	0	0	69
Capita Gwent Consultancy	0	0	0	2,091
Hafod Care	0	0	0	562
Archives	31	64	95	203
Monitor	0	0	0	28
OCS Ex Monmouth CC	0	0	0	17
OCS Ex UWN	0	0	0	4
United Response	0	0	0	37
Monmouthshire HA	458	1,119	1,577	1,016
Bron Afon[3]	200	733	933	4,231
Newport City Homes	981	2,127	3,108	2,018
Tai Calon	360	1,330	1,690	2,241
Manpower UK Ltd	0	0	0	4
DRIVE	4	0	4	17
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	14	16	1
Compass Catering Newport	9	0	9	259
Compass Catering St Albans	0	0	0	6
National Trust	1	53	54	68
Barnardo's	0	0	0	33
Education Achievement Service	271	843	1,114	427
Just Perfect Catering	5	13	18	0
Caterlink NCC Caerleon	0	0	0	17
Caterlink NCC Newport High	0	0	0	5
Churchill	3	0	3	10
Monwell Ltd	0	0	0	74
Torfaen Leisure Trust	104	328	432	210
Borough Theatre	0	0	0	18
NCS – Norse	280	818	1,098	861
NPS – Newport	0	0	0	33
Life Leisure	284	646	930	459
Newport Live	288	686	974	261
Alliance in Partnership	0	0	0	3
Glyncoed Catering	0	0	0	6
Radis	36	86	122	256
Arwen Cultural Trust	6	11	17	19
Totals	**37,346**	**142,115**	**179,461**	**175,015**

[3] Contribution totals to 31st July 2024

8. Transfers in from other pension funds

2023/24 £000		2024/25 £000
(11,751)	Individual transfers	(11,933)
(11,751)		**(11,933)**

9. Benefits payable

By category

2023/24 £000		2024/25 £000
121,660	Pensions	133,973
30,300	Commutation of pensions and lump sum retirement benefits	34,736
4,593	Lump sum death benefits	3,352
2,384	Additional allowances	2,954
158,937		**175,015**

By type of employer

2023/24 £000		2024/25 £000
22,922	Administering Authority	24,141
121,524	Scheduled Bodies	132,255
1,117	Deemed Bodies	1,300
13,374	Admitted Bodies	17,319
158,937		**175,015**

10. Payments to and on account of leavers

2023/24 £000		2024/25 £000
461	Refunds to members leaving service	417
(1)	Payments for members joining state scheme	(1)
8,427	Individual transfers	18,325
8,887		**18,741**

11. Management expenses

2023/24 £000		2024/25 £000
1,506	Administrative costs	1,759
15,094	Investment management expenses	13,723
1,313	Oversight and governance costs	1,530
17,913		**17,012**

a) Investment management expenses

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

2023/24	Total £000	Management fees £000	Performance related fees £000	Transaction costs £000
Pooled investments	14,502	14,502	-	-
Pooled property investments	278	278	-	-
	14,780	14,780	-	-
Custody fees	314			
Total	**15,094**			

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 period. These costs include partnership expenses associated with set up and operation as well as equalisation payments, which were payable in 2023/24 but not applicable in 2024/25. 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

2023/24 £000		2024/25 £000
(55,690)	Pooled investments	(66,650)
(2,012)	Pooled property investments	(2,285)
(3,231)	Interest on cash deposits	(1,647)
(60,933)		**(70,582)**

Interest received on cash deposits decreased during 2024/25 as liquidation proceeds received in 2023/24 were reinvested in line with the Fund's strategic asset allocation.

13. Other fund account disclosures

a) Wales Pension Partnership

2023/24 £000		2024/25 £000
	WPP oversight and governance costs	
343	Operator fees	415
204	Set up and oversight costs	217
22	Host Authority costs	23
	WPP investment management expenses	
4,438	Fund management fees	4,919
289	Depositary and custody fees	316
5,296		**5,890**

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 2024/25 published on the Pension Fund's website.

b) Other payments

2023/24 £000		2024/25 £000
2,760	Cessation Payment	19,811
2,760		**19,811**

On the 31st March 2024 and 31st July 2024 two of our admitted bodies, Hafod and Bron Afon left the Fund. The Fund's Actuary carried out cessation calculations in accordance with the Funding Strategy Statement and determined that a surplus was due to be repaid to each of these employers which were paid in December 2024.

Appendix 2

14. Investments

Value at 31.03.24 bid price £000		Value at 31.03.25 bid price £000
	Investment assets	
	Pooled funds	
508,844	Fixed Income	528,328
1,123,224	Acs World Low Carbon Equity Tracker	1,048,723
250,610	European Equity	224,506
817,025	Global Equity	856,094
569,887	UK Equity	607,320
278,279	Asian Equity	311,945
104,080	Global Emerging Markets Equity	107,040
111,046	Multi Asset Funds	115,809
95,553	Private Credit	182,561
181,407	Infrastructure	356,087
4,039,955		4,338,413
	Other investments	
70,239	Pooled Property Investments	71,688
70,239		71,688
129,346	Cash deposits	27,434
1,829	Investment income due	886
131,175		28,320
4,241,369	**Total investment assets**	**4,438,421**
	Investment liabilities	
-	Amounts payable for purchases	-
-	**Total investment liabilities**	**-**
4,241,369	**Total investment assets**	**4,438,421**

Appendix 2

a) Reconciliation of movements in investments

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

Period 2023/24	Market Value 31 March 2023 £000	Purchases during the year £000	Sales during the year £000	Investment management expenses deducted at source £000	Change in value during the year £000	Market Value 31 March 2024 £000
Pooled investments	3,663,359	382,649	(431,839)	(9,143)	434,929	4,039,955
Pooled property investments	72,198				(1,959)	70,239
	3,735,557	382,649	(431,839)	(9,143)	432,970	**4,110,194**
Other investment balances:						
• Cash deposits	20,014					129,346
• Investment income due	703					1,829
Net investment assets	**3,756,274**				**432,970**	**4,241,369**

b) Investments analysed by Fund Manager

Market value 31 March 2024 £000	%	Fund Manager	Market value 31 March 2025 £000	%
Investments managed by the Wales Pension Partnership				
1,978,810	46.6	Russell Investments	2,134,019	48.0
36,209	0.9	GCM Grosvenor	77,975	1.8
17,523	0.4	Octopus Renewables	30,674	0.7
-	-	CBRE	20,448	0.5
-	-	IFM Investors	54,052	1.2
2,950	0.1	Capital Dynamics	4,393	0.1
2,035,492	**48.0**		**2,321,561**	**52.3**
Investments managed outside of the Wales Pension Partnership				
1,373,852	32.4	BlackRock[4]	1,273,296	28.7
278,279	6.6	Invesco Perpetual	311,945	7.0
146,029	3.4	Fidelity International	150,130	3.4
70,239	1.7	Pooled Property Funds (various)	71,688	1.6
74,010	1.7	Gresham House	103,925	2.3
81,596	2.0	Invesco Credit Partners	113,003	2.5
50,715	1.2	Quinbrook	64,620	1.5
129,328	3.0	Cash at Administering Authority	27,367	0.6
1,829	0.0	Other investment balances	886	0.1
2,205,877	**52.0**		**2,116,860**	**47.7**
4,241,369	**100**	**Total**	**4,438,421**	**100**

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

	Market value 31 March 2024 £000	% of total fund	Market value 31 March 2025 £000	% of total fund
BlackRock ACS World Low Carbon Equity Tracker	1,123,224	26.5	1,048,723	23.6
WPP Global Opportunities Fund	646,496	15.2	685,246	15.4
WPP UK Opportunities Fund	569,887	13.5	607,320	13.7
Invesco Perpetual Asian Equity Fund	278,279	6.6	311,945	7.0
WPP Global Credit Fund	254,390	6.0	266,269	6.0
WPP Global Government Bond Fund	254,454	6.0	262,059	5.9
Blackrock Ascent Life European Equity Fund	250,610	5.9	224,506	5.1
Total value of investments	**4,241,369**		**4,438,421**	

[4] 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

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.

Appendix 2

Basis of valuations and estimation techniques

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity Funds UK and Overseas	Level 2	The NAV is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Pooled Investments - Fixed Income Funds UK and Overseas	Level 2	The NAV is calculated based on the market value of the underlying fixed income securities.	Evaluated price feeds	Not required
Pooled Investments - Multi Asset Funds	Level 2	The NAV is calculated based on the market value of the underlying investments and financial instruments.	Evaluated price feeds	Not required
Pooled Investments - Property Funds	Level 2	Closing bid price where bid and offer prices are published, closing single price where single price published.	A combination of the comparable method of valuation and the residual method of valuation.	Not required
Pooled Investments - Private Credit Funds Methods used to estimate fair value may vary between funds, but estimation techniques are broadly consistent.	Level 3	Valuation techniques are used in accordance with U.S. GAAP to measure fair value that is consistent with market approach and/or income approach, depending on the type of security and the circumstance.	Private investments are fair valued initially based upon transaction price excluding expenses. The market approach uses prices generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.	The preparation of financial statements requires managers to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
Pooled Investments - Infrastructure Funds Methods used to estimate fair value may vary between funds, but estimation techniques are broadly consistent.	Level 3	Methods used to estimate fair value typically include an income approach such as the discounted projected cash flow method using expected future cash flows to calculate present values. The Investment Manager will use its judgement in arriving at appropriate discount rates based on their knowledge of the market.	A range of sources will be reviewed including macroeconomic forecasts, discount rates applicable to comparable asset classes, observable market and technical data. Managers consider factors like interest rates, market conditions, and property-specific risks. Assets that are currently not operational are valued at cost.	The preparation of financial statements requires managers to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 2024 and 31 March 2025.

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

	Potential variation in fair value (+/-)	**Value at 31 March 2024** £000	**Potential value on increase** £000	**Potential value on decrease** £000
Pooled Investments – Private Credit	8.79%	95,553	103,952	87,154
Pooled Investments – Infrastructure	13.56%	181,407	206,006	156,808
Total		**276,960**	**309,958**	**243,962**

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.

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

Values at 31 March 2024	Quoted market price **Level 1** £000	Using observable inputs **Level 2** £000	With significant unobservable inputs **Level 3** £000	**Total** £000
Financial assets at fair value through profit and loss	-	3,833,234	276,960	4,110,194
Net investment assets	**-**	**3,833,234**	**276,960**	**4,110,194**

b) Transfers between levels 1 and 2

No transfers took place in the financial year ending 31 March 2025.

c) Reconciliation of fair value measurements within level 3

Movements 2024/25	Alternatives Infrastructure Funds £000	Alternatives Private Credit Funds £000	Total £000
Starting Value at 31 March 2024	181,407	95,553	276,960
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			
Ending Value at 31 March 2025	**356,087**	**182,561**	**538,648**

Movements 2023/24	Alternatives Infrastructure Funds £000	Alternatives Private Credit Funds £000	Total £000
Starting Value at 31 March 2023	48,176	52,108	100,284
Transfers into level 3			
Transfers out of level 3			
Capital calls (purchases)	132,819	45,674	178,493
Return of investment (sales)	(13,686)	(4,543)	(18,229)
Unrealised gains and losses	14,098	2,314	16,412
Realised gains and losses			
Ending Value at 31 March 2024	**181,407**	**95,553**	**276,960**

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 2024				**31 March 2025**	
£000	£000	£000		£000	£000	£000
			Financial Assets			
4,039,955			Pooled investments	4,338,413		
70,239			Pooled property investments	71,688		
	129,346		Cash		27,434	
1,829			Other investment balances	886		
	15,278		Debtors		16,447	
4,112,023	**144,624**	**-**		**4,410,987**	**43,881**	**-**
			Financial liabilities			
		(8,056)	Creditors			(6,287)
-	**-**	**(8,056)**		**-**	**-**	**(6,287)**
4,112,023	**144,624**	**(8,056)**	**Total**	**4,410,987**	**43,881**	**(6,287)**
	4,248,591				**4,448,581**	

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 2024		31 March 2025
£000		£000
	Financial assets	
(432,970)	Fair value through profit and loss	(168,593)
-	Amortised cost – realised gains on derecognition of assets	-
-	Amortised cost – unrealised gains	-
	Financial liabilities	
-	Fair value through profit and loss	-
-	Amortised cost – realised losses on derecognition of assets	-
-	Amortised cost – unrealised losses	-
(432,970)	**Total**	**(168,593)**

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.

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-2024-25.pdf (gwentpensionfund.co.uk)

Appendix 2

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.

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 2025.

Asset type	1 year expected volatility
Total Fund	13.26%
UK Equities	16.26%
Overseas Equities	18.64%
Emerging Market Equities	24.30%
Government Bonds[5]	5.47%
Corporate Bonds[6]	6.54%
Pooled Property Investments	15.20%
Multi Asset Funds	8.57%
Alternatives (Private Credit)	7.62%
Alternatives (Infrastructure)	14.53%
Cash	0.30%

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	8.4%
Overseas Equities (inc. EM)	8.6%
Government Bonds (Medium Term)	5.8%
Corporate Bonds (Medium Term)	6.5%
Property	7.3%
Multi Asset Funds	7.1%
Alternatives (Private Credit)	8.8%
Alternatives (Infrastructure)	7.4%
Cash	4.5%

[5] Includes exposure to Overseas Government Bonds. The total exposure to Overseas Government Bonds is £255.7m.
[6] Includes exposure to Overseas Corporate Bonds. The total exposure to Overseas Corporate Bonds is £230.1m.

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 31 March 2025 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash and accruals	28,320	0.30	28,405	28,235
Investment portfolio assets:				
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
Total Fund	**4,438,421**		**5,136,540**	**3,740,302**

Asset type	Value as at 31 March 2024 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash and accruals	131,175	0.30	131,569	130,781
Investment portfolio assets:				
UK Equities	569,887	16.01	661,126	478,648
Overseas Equities	2,469,138	16.66	2,880,496	2,057,780
Emerging Market Equities	104,080	23.05	128,070	80,090
Government Bonds	254,454	5.77	269,136	239,772
Corporate Bonds	254,390	6.97	272,121	236,659
Pooled Property Investments	70,239	15.59	81,189	59,289
Multi Asset Funds	111,046	7.91	119,830	102,262
Alternatives (Private Credit)	95,553	8.79	103,952	87,154
Alternatives (Infrastructure)	181,407	13.56	206,006	156,808
Total Fund	**4,241,369**		**4,853,495**	**3,629,243**

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.

Assets exposed to interest rate risk[7]:

Exposure to interest rate risk	Asset Values as at 31 March 2025 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash	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
Total	**556,648**	**523,895**	**589,400**

Exposure to interest rate risk	Asset Values as at 31 March 2024 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash	131,175	131,175	131,175
LF Wales PP Global Government Bond Fund	254,454	238,169	270,739
LF Wales PP Global Credit Fund	254,390	239,127	269,653
Total	**640,019**	**608,471**	**671,567**

Exposure to interest rate risk	Interest receivable 2024/25 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash	1,647	1,664	1,631
LF Wales PP Global Government Bond Fund	-	-	-
LF Wales PP Global Credit Fund	-	-	-
Total	**1,647**	**1,664**	**1,631**

Exposure to interest rate risk	Interest receivable 2023/24 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash	3,231	3,264	3,199
LF Wales PP Global Government Bond Fund	-	-	-
LF Wales PP Global Credit Fund	-	-	-
Total	**3,231**	**3,264**	**3,199**

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 2025 is 9.1% (9.3% as at 31 March 2024). This assumes no diversification with other assets and that interest rates remain constant.

[7] 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.

A 9.1% 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[8]

Assets exposed to currency risk	Asset value as at 31 March 2025 £000	Potential market movement %	Value on increase £000	Value on decrease £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
Total change in assets available to pay benefits	**3,515,573**		**3,835,490**	**3,195,656**

Assets exposed to currency risk	Asset value as at 31 March 2024 £000	Potential market movement %	Value on increase £000	Value on decrease £000
Overseas Equities	2,469,138	9.3	2,698,768	2,239,508
Emerging Market Equities	104,080	9.3	113,759	94,401
Overseas Government Bonds	236,642	9.3	258,650	214,634
Overseas Corporate Bonds	204,275	9.3	223,273	185,277
Multi Asset Income Fund	111,046	9.3	121,373	100,719
Global Private Credit Funds	95,553	9.3	104,439	86,667
Global Infrastructure Funds	53,732	9.3	58,729	48,735
Total change in assets available to pay benefits	**3,274,466**		**3,578,991**	**2,969,941**

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. 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.

[8] Overseas exposure in bond funds based on valuations as at 31 March 2025 and regional asset allocation as at 31 December 2024

The Pension Fund utilises the services of Link Group for formulating and monitoring the Fund's list of approved counterparties. Link Group 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 2025 was £27.367m (31 March 2024 was £129.328m which has largely been redeployed during 2024/25) and this was held with institutions and the global custodian as follows:

Cash on deposit with financial institutions[9]	**Rating (Fitch Long Term)** (at 31 March 2025)	**Balances as at 31 March 2024** £000	**Balances as at 31 March 2025** £000
Money Market Funds			
Aberdeen Liquidity	AAA	3,000	15,000
Blackrock	AAA	3,000	10,000
Bank Current Accounts			
TCBC Pension Fund		50,305	2,367
Custodian			
Northern Trust Global Cash		73,023	
Total		**129,328**	**27,367**

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 2025, 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 Fund monitors and manages the timing of its cash flows on both an operational and a longer-term strategic basis. The strategic profile of the Fund continues to show that the Fund's cash flow is broadly positive with contributions (including dividend income) being received exceeding the value of benefits paid out. This excess continues to be appropriately monitored in a strategic sense. With the Fund remaining broadly cash generative the Fund has again been comfortable (documented via its cash management strategy) to allow cash levels to float around or below a 1% level during the majority of the 2024/25 financial year.

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

[9] Excludes £67,240 cash held and managed by BlackRock on 31 March 2025

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:

https://www.gwentpensionfund.co.uk/media/ztfc4grq/funding-strategy-statement-april-2023.pdf

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.

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. Another revaluation of the Fund will take place as at 31 March 2025.

18.7 The financial assumptions adopted by the Actuary were as follows: -

	Funding Target
	2022
Discount Rate	4.3%
Pensionable pay increases	3.2%
Pension increases	2.7%

18.8 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: -
https://www.gwentpensionfund.co.uk/media/4ulibeig/valuation-report-march-2022.pdf

19. Actuarial present value of promised retirement benefits

19.1 The Code requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS19 rather than the assumptions and methodology used for funding purposes. To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison).

	31 March 2024	31 March 2025
Discount rate (return on investments)	4.85% per annum	5.80% per annum
Rate of salary increases	3.25% per annum	3.25% per annum
Rate of increase in pensions	2.75% per annum	2.75% 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:
https://www.gwentpensionfund.co.uk/media/4ulibeig/valuation-report-march-2022.pdf

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 (5.80% p.a. versus 4.85% p.a.). The expected long-term rate of CPI inflation (RPI-CPI gap) has remained the same during the year, resulting in the assumption for pension increases remaining the same at the year-end then at the beginning of the year (2.75% p.a.). The other experience items show a gain in applying the Pensions Increase Order for 2024 of 1.7% as it was lower 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 2024 was estimated as £4,111million. The impact of the changes in financial assumptions between 31 March 2024 and 31 March 2025 as described above is to decrease the Fund liabilities by £677million.

19.5 There are also changes to demographic assumptions, which have further decreased the liabilities by £9million. The remaining increase in obligation of £150million includes the accrual of benefits for active members over 2024/25 and an increase with interest over the year of the obligations value at 2024.

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 2025 is therefore £3,575million.

20. Current assets

31 March 2024 £000		31 March 2025 £000
	Short term debtors	
2,962	Contributions due - employees	3,049
10,827	Contributions due - employers	11,404
13,789		14,453
987	Early retirement costs	1,527
300	Fund manager fee rebates	299
202	Sundry debtors	168
15,278		**16,447**

a) Funding of early retirement costs

During 2024/25 the cost to the pension fund of early retirements arising in the year was £2,261,413 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 2024/25 and in future financial years for early retirements known as at 31 March 2025. These are summarised in the following table: -

	£000	£000
Instalments falling due in 2024/25 in respect of:		
Prior Years	351	
Current Year	1,754	2,105
Balances b/f 1 April 2024	987	
Payments Received in 2024/25	(1,789)	
Reversal of previous instalments due	(946)	(1,748)
Instalments due for 2025/26	382	
Instalments due for 2026/27 & later years	788	1,170
2024/25 Debtor		**1,527**

The instalments due for 2025/26 and future years have been included in accordance with the guidance notes issued with the Code of Practice on Local Authority Accounting 2024/25.

21. Current liabilities

31 March 2024 £000		31 March 2025 £000
(6,982)	Benefits payable	(5,016)
(900)	Management expenses	(1,006)
(174)	Sundry creditors	(265)
(8,056)		**(6,287)**

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 31 March 2024 £000	AVC provider	Market value 31 March 2025 £000
4,817	Standard Life	4,973
1,825	Clerical Medical	1,900
565	Utmost Life and Pensions (previously Equitable Life)	478
7,207		**7,351**

Contribution Received 31 March 2024 £000	AVC provider	Contribution Received 31 March 2025 £000
830	Standard Life	1,020
263	Clerical Medical	309
1	Utmost Life and Pensions (previously Equitable Life)	1
1,094		**1,330**

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 2024 £000		31 March 2025 £000
11	Central Government	11
8,755	Other Local Authorities	8,935
22	Other entities and individuals	19
8,788		**8,965**

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 10% and 100% respectively. Total remuneration payable for 2023/24 and 2024/25 is set out below for their time apportioned to the Fund.

31 March 2024 £000		**31 March 2025 £000**
93	Short-term benefits	96
14	Post-employment benefits	(7)
107		**89**

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.