West Sussex Pension Fund

Statement of Accounts 2017/18

Declaration

Under Regulation 9 of the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the West Sussex Pension Fund as at 31 March 2018.

Katharine Eberhart
Director of Finance, Performance and Procurement

Notes: The West Sussex Pension Fund is a defined benefit scheme and the following accounts do not take account of liabilities to pay pensions and other benefits after 31 March 2018 year end. Further information relating to these liabilities and other benefits is contained in the Valuation Report. The full valuation report can be found on the West Sussex County Council website www.westsussex.gov.uk/pensions

The Local Government Pension Fund Scheme
Pension Fund Account

2016/2017 £000		Notes	2017/2018 £000
	Dealings with members, employers and others directly involved in the scheme		
121,758	Contributions received	7	124,719
3,349	Transfers in from other Pension Funds	8	36,921
125,107			**161,640**
(101,219)	Benefits paid	9	(107,235)
(6,342)	Payments to and on account of leavers	10	(8,288)
(107,561)			**(115,523)**
17,546	**Net additions/(withdrawals) from dealings with members**		**46,117**
(14,731)	Management Expenses	11	(17,334)
2,815	**Net additions/(withdrawals) including Fund management expenses**		**28,783**
	Returns on investments		
55,538	Investment income	12	51,571
(834)	Taxes on income	13A	(1,158)
425	Other income		169
754,544	Profit and (losses) on disposal of investments and changes in the market value of investments	14A	226,622
809,673	**Net return on investments**		**277,204**
812,488	**Net increase in net assets available for benefits during the year**		**305,987**
2,985,801	**Add opening net assets of the scheme**		**3,798,289**
3,798,289	**Closing net assets of the scheme**		**4,104,276**

Net Asset Statement

At 31 March 2017 £000		Notes	At 31 March 2018 £000
3,766,546	Total investment assets	14	4,066,693
(792)	Investment liabilities	14	(6,154)
3,765,754	**Net investment assets / (liabilities)**		**4,060,539**
38,259	Current assets	21	51,379
(5,724)	Current liabilities	22	(7,642)
3,798,289	**Net assets of the scheme available to fund benefits at the end of the reporting period**		**4,104,276**

Note: the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after 31 March 2018. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Notes to the Accounts

NOTE 1: DESCRIPTION OF THE FUND

The Local Government Pension Scheme (LGPS) is a national defined benefit funded scheme, managed locally by administering authorities.

At 31 March 2018 the West Sussex Pension Fund had a diversified portfolio totalling £4,104m invested in equities and bonds, property, cash and private equity. This figure includes current assets and liabilities.

The following description of the Fund is a summary only. For more detail, reference should be made to the West Sussex Pension Fund Annual Report 2017/18 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) regulations.

a. General

The Scheme is governed by the Public Service Pensions Act 2013 and is 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 pension scheme is administered by West Sussex County Council to provide pensions and other benefits for pensionable employees of West Sussex County Council, the District and Borough Councils in West Sussex and a range of other scheduled and admitted bodies.

The Fund is overseen by the Pensions Panel which is a committee of West Sussex County Council and comprises seven County Councillors, a district and borough representative, a scheduled body representative (currently vacant) and an employee representative. A Pension Advisory Board has also been established to assist the County Council to ensure the scheme complies with legislative requirements and any requirements of the Pensions Regulator.

b. Membership

Membership of the LGPS is open to all local government employees who have contracts of employment for more than three months and employees of certain specified employers (such as Colleges, Academies, and those who are providing a service transferred from a local authority) can also join the Scheme. Organisations participating in the Fund include:

- Scheduled Bodies, Resolution Bodies and Academies: Regulations allow employees of certain specified bodies to join the Scheme (including the County Council, District and Borough Councils, non-uniformed personnel employed by the Police and Crime Commissioner for Sussex or the Office of the Chief Constable, employees within Town and Parish Councils as well as non-teaching staff employed by Colleges and Academies).

- Admitted Bodies: Other organisations that participate in the scheme under an admission agreement between the administering authority, related employer and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Police officers, teachers and fire-fighters have their own unfunded statutory arrangements.

There are 193 active employer organisations within the West Sussex Pension Fund including the County Council itself, as detailed below:

	31 March 2017	31 March 2018
Number of employers with active members	183	193
Number of active members in Scheme		
County Council	14,354	14,755
Other employers	12,259	13,082
Total	**26,613**	**27,837**
Number of pensioners		
County Council	9,789	10,111
Other employers	8,710	8,956
Total	**18,499**	**19,067**
Number of deferred pensioners		
County Council	14,805	15,734
Other employers	9,801	10,400
Total	**24,606**	**26,134**

The number of deferred pensioners excludes 1,720 frozen refunds (2016/17: 1,735) and 27 leavers for whom no formal paperwork has been received (2016/17: 28).

c. Funding

Benefits are funded by contributions and investment earnings. Contributions are made by:

- Active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018.

- Employers in accordance with the rate calculated by the Fund actuary at the triennial valuation exercise, or on admission between valuations. The employer contribution rates range from 0% to 42.7% of pensionable pay for the financial year ending 31 March 2018.

  A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

	Service pre 1 April 2008	**Service 31 March 2008-1 April 2014**
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x salary	No automatic lump sum

From 1 April 2014, the scheme became a Career Average Revalued Earnings scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index (CPI).

There are a number of ancillary benefits provided under the Scheme including early retirement, ill-health retirement and death benefits. More details can be found on the Fund's website.

NOTE 2: BASIS OF PREPARATION

The accounts have been prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based upon International Financial Reporting Standards (IFRS), as amended for UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts summarise the transactions and net assets of the Fund. They do not take account of future liabilities to pay pensions and other benefits after 31 March 2018 reporting period. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) basis, is disclosed at Note 20.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue recognition

a. Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis. Member contributions are accrued at the percentage rate in accordance with the LGPS Regulations 2013. Employer contributions are accrued at the percentage rate set by the Fund actuary in the payroll period to which they relate.

Employer secondary contributions are accounted for on an accruals basis.

Employers' augmentation contributions and pensions strain contributions are accounted for in line with the payment schedule. Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the reporting period and are calculated in accordance with the LGPS regulations.

Individual transfers in/out are accounted for when received/paid which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in.

Bulk (group) transfers, where relevant are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c. Investment income

i. Interest income

Interest income is recognised by the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Stock lending income is recognised by the Fund as it accrues.

ii. Dividend income

Dividend income is recorded on the date that the shares are quoted as ex-dividend. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as an investment asset.

iii. Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received at the end of the reporting period is disclosed in the Net Asset Statement as an investment asset.

iv. Property-related income

Property income consists primarily of rental income and is accounted for on an accruals basis.

v. Movement in the net market value of investments

Changes to the net market value of investments (including investment properties) are recognised as income or expense and comprise all realised and unrealised profit/loss during the year.

Fund Account - Expense items

d. Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the reporting period. Any amounts due but unpaid are disclosed in the Net Asset Statement as current liabilities.

e. 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 suffer withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

f. Management expenses

The Code does not require any breakdown of Pension Fund administration expenses. However in the interests of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016) as set out below:*

Administrative expenses

All administrative expenses are accounted for on an accruals basis representing the annual charge relating to the Capita Pensions Administration, staff costs for officers related to interaction with employers and associated management, accommodation and other overheads relating to those officers.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are recharged. Associated management, accommodation and other overheads are apportioned to this activity. The Fund's external advisors, audit and actuary fees are also included in oversight and governance costs.

Investment management expenses

All management expenses are accounted for on an accruals basis. Fees of the external managers and custodian are agreed in the respective mandates governing their appointment and are mainly based on the market value of the investments under management and therefore increase or reduce as the value of these investments change.

Transaction costs are accounted for on an accruals basis.

The Fund has negotiated that an element of Baillie Gifford’s fee is performance related. Baillie Gifford's performance related fees were £5.4m in 2017/18 (2016/17 - £2.9m).

The cost of the County Council’s in-house treasury management team is charged to the Fund based on a proportion of time spent by officers on treasury management. This is included in investment management costs.

Net Asset Statement

g. Financial assets

Investments are shown at market value at the reporting date. A financial asset is recognised in the Net Asset Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised. The values of investments have been determined at fair value in accordance with the requirements of the Code and IFRS13 (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)

h. Freehold and leasehold properties

Properties have been valued at the reporting date by independent external valuers, on the basis of fair value as required by the International Financial Reporting Standards (IFRS). See Note 16.

i. Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currency have been recorded at the spot exchange rate and translated into sterling at the rate ruling at the date of the transaction.

End of year spot market exchange rates are used to value cash balances in foreign currency, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j. Derivatives

The Fund does not invest directly in derivatives. However, the Fund may use derivatives to assist with the efficient transition of portfolio assets during a portfolio restructure or fund manager change.

k. Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of change in value.

The day-to-day activity of the fund managers includes forward dated trades which means that assets and liabilities can be generated with a settlement date falling outside the accounting period. This is reflected in the accrued values for investments shown in the statements.

l. Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Asset Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in fair value of the liabilities are recognised by the Fund.

m. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund actuary in accordance with the requirements of 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 Asset Statement (Note 20).

n. Additional voluntary contributions
Some members of the Scheme have made additional voluntary contributions (AVC) to boost the value of their pensions. These have been invested separately with Standard Life and Equitable Life and are not included in the Pension Fund accounts but are disclosed as a note (Note 23).

o. Contingent assets and contingent liabilities
A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabillities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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 the occurence of future events.

Contingent assets and liabilities are not recognised in the Net Asset Statement but are disclosed by way of narrative in the notes (Note 25 & Note 26).

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability
The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of assumptions relating to the discount rate used, salary and pension increases, retirement age, mortality rates and investment returns. The Fund actuary has been appointed to provide advice about the assumptions applied.	Actual experience relative to the assumptions over time. For example: A 0.5% decrease in discount rate at year ended 31 March 2018 would result in an approximate 10% increase to employer liability (£448m). A one year increase in member life expectancy at year ended 31 March 2018 would result in an approximate increase in employer liability of between 3 and 5%. A 0.5% increase in the salary increase rate at year ended 31 March 2018 would result in an approximate increase in employer liability of 1% (£65m). A 0.5% increase in the pension increase rate at year ended 31 March 2018 would result in an approximate 8% increase in employer liability (£357m).
Sensitivity analysis	The sensitivity analysis is based on historical data.	Actual experience relative to assumptions will result in a greater or lesser impact on the financial assets of the Fund.
Private equity	Private equity investments are valued at fair value in accordance with industry guidelines, based on the fund manager report as at the end of the reporting period or the latest fund manager report adjusted for net cash flows. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investment in the financial statements is £121.1m. There is a risk that this investment may be under or overstated in the accounts.

Freehold and leasehold property	Independent valuation for freehold and leasehold investment property has been provided at 31 March 2018 by Savills (UK) Ltd in accordance with Royal Institution of Chartered Surveyors Red Book. This takes into account observable and unobservable pricing inputs including existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels and estimated rental growth.	Investment properties have been valued on the basis of fair value. "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Changes in rental growth, void levels and general changes in property market prices could affect the valuation. There is a risk that this investment may be under or overstated in the accounts.

NOTE 6: EVENTS AFTER THE BALANCE SHEET DATE

There have been no notable events occurring after the balance sheet date.

NOTE 7: CONTRIBUTIONS RECEIVED

By Category

2016/17 £000		2017/18 £000
96,259	Employers	98,279
25,499	Members	26,440
121,758		124,719

By Authority

2016/17 £000		2017/18 £000
99,541	Scheduled bodies	102,307
4,978	Resolution bodies	5,416
9,469	Admitted bodies	7,955
7,770	Academies	9,041
121,758		124,719

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

By Category

2016/17 £000		2017/18 £000
3,349	Individual transfers	8,454
-	Bulk transfers	28,467
3,349		36,921

The bulk transfer above relates entirely to City College Brighton and Hove (CCBH) who transferred from East Sussex County Council on 1 April 2017. CCBH merged with Northbrook College, an existing Fund employer, to form Greater Brighton Metropolitan College.

NOTE 9: BENEFITS PAID

By Category

2016/17 £000		2017/18 £000
84,269	Pensions	88,389
13,724	Commutation and lump sum retirement benefit	16,032
3,226	Lump sum death benefit	2,814
101,219		107,235

By Authority

2016/17 £000		2017/18 £000
91,523	Scheduled bodies	95,901
1,046	Resolution bodies	1,656
7,834	Admitted bodies	8,479
816	Academies	1,199
101,219		107,235

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2016/17 £000		2017/18 £000
257	Refunds of contributions	407
136	Bulk transfers	325
5,949	Individual transfers	7,556
6,342		8,288

At the year-end there are further potential liabilities of £2.1m relating to possible transfers out of the pension scheme where the Fund is awaiting final decisions (Note 25).

NOTE 11: MANAGEMENT EXPENSES

2016/17 £000		2017/18 £000
870	Administrative costs	668
1,060	Oversight and governance costs	999
12,801	Investment management expenses	15,667
14,731		17,334

NOTE 11a: INVESTMENT MANAGEMENT EXPENSES

2016/17 £000		2017/18 £000
7,904	Management fees	9,120
2,888	Performance related fees	5,360
204	Custody fees	140
1,803	Transaction costs	1,045
2	In-house treasury management expenses	2
12,801		15,667

NOTE 12: INVESTMENT INCOME

2016/17 £000		2017/18 £000
39,320	Income from equities	34,613
1,671	Income from bonds	3,461
1,675	Private equity income	1,320
11,778	Property income (Note 12a)	11,698
272	Interest on cash deposits	279
822	Income from stock lending	200
55,538		51,571

NOTE 12a: PROPERTY INCOME

2016/17 £000		2017/18 £000
12,736	Rental income	13,193
(958)	Direct operating expenses	(1,495)
11,778		11,698

No contingent rents have been recognised as income during the period.

NOTE 13: OTHER FUND ACCOUNT DISCLOSURES

2016/17 £000		2017/18 £000
41	Pension Advisory Board	23
86	ACCESS pool	102
127		125

ACCESS is a collaboration of 11 Central, Eastern and Southern Shires, who are working together to collectively invest assets to significantly reduce investment costs whilst maintaining investment performance. The costs incurred for 2017/18 reflect the Fund's contribution towards the pool's establishment. These costs are included within oversight and governance costs in Note 11.

NOTE 13a: TAXES ON INCOME

2016/17 £000		2017/18 £000
1,527	Tax paid on dividend payments	1,717
(693)	Tax recoverable	(559)
834		1,158

NOTE 13b: EXTERNAL AUDIT COSTS

2016/17 £000		2017/18 £000
26	Payable in respect of external audit	26
26		26

These costs are included within oversight and governance costs in Note 11.

NOTE 14: INVESTMENTS

Market value 2016/17 £000		Market value 2017/18 £000
	Investment assets	
2,176,840	Equities	1,976,634
113,765	Bonds	155,462
917,746	Pooled investments	1,391,573
157,870	Private equity	121,051
285,820	Property (see note 14e)	344,585
105,999	Cash deposits	68,936
7,070	Investment income due	4,930
1,436	Amounts receivable for sales	3,522
3,766,546	**Total investment assets**	4,066,693
	Investment liabilities	
(786)	Amounts payable for purchases	(6,149)
(6)	Rental receipts in advance	(5)
(792)	**Total investment liabilities**	(6,154)
3,765,754	**Net investment assets**	4,060,539

NOTE 14a: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Current Year				
	Market Value at 1 April 2017	**Purchases during the year**	**Sales during the year**	**Change in market value during the year**	**Market Value at 31 March 2018**
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	113,765	61,039	(17,860)	(1,482)	155,462
Equities	2,176,840	549,372	(922,499)	172,921	1,976,634
Pooled investments	917,746	456,000	(4,000)	21,827	1,391,573
Private equity	157,870	4,148	(52,114)	11,147	121,051
Property	285,820	38,674	(100)	20,191	344,585
	3,652,041	1,109,233	(996,573)	224,604	3,989,305
Derivatives	-	235,290	(234,790)	(500)	-
Sub total	3,652,041	1,344,523	(1,231,363)	224,104	3,989,305
Other investment balances					
Cash deposits	105,999			2,518	68,936
Amount receivable for sales	1,436				3,522
Investment income due	7,070				4,930
Amount payable for purchases	(786)				(6,149)
Rental receipts in advance	(6)				(5)
Total assets	3,765,754			226,622	4,060,539

	Previous Year				
	Market Value at 1 April 2016	**Purchases during the year**	**Sales during the year**	**Change in market value during the year**	**Market Value at 31 March 2017**
	£000	**£000**	**£000**	**£000**	**£000**
Bonds	48,612	80,544	(19,950)	4,559	113,765
Equities	1,989,772	693,395	(1,150,851)	644,524	2,176,840
Pooled investments	447,328	418,170	(7,489)	59,737	917,746
Pooled property investments	271	-	(305)	34	-
Private equity	150,318	6,637	(37,890)	38,805	157,870
Property	268,575	10,627	-	6,618	285,820
	2,904,876	1,209,373	(1,216,485)	754,277	3,652,041
Derivatives	(2)	261	(1,731)	1,472	-
Sub total	2,904,874	1,209,634	(1,218,216)	755,749	3,652,041
Other investment balances					
Cash deposits	81,660			(1,205)	105,999
Amount receivable for sales	2,341				1,436
Investment income due	8,418				7,070
Amount payable for purchases	(28,746)				(786)
Rental receipts in advance	(74)				(6)
Total assets	2,968,473			754,544	3,765,754

NOTE 14b: ANALYSIS OF INVESTMENTS

31 March 2017 £000		31 March 2018 £000
	Bonds	
	UK	
113,765	Public sector quoted	155,462
113,765		155,462
	Equities	
	UK	
355,328	Quoted	381,898
	Overseas	
1,821,512	Quoted	1,594,736
2,176,840		1,976,634
	Pooled funds	
	UK	
441,066	Corporate bonds	190,957
258,518	Government bonds	438,497
-	Fixed interest	348,490
	Overseas	
33,174	Currency	32,789
-	Corporate bonds	5,277
173,758	Fixed interest	355,617
11,230	Cash	19,946
917,746		1,391,573
157,870	Private equity	121,051
285,820	Property	344,585
-	Derivatives	-
443,690		465,636
105,999	Cash deposits	68,936
7,070	Investment income due	4,930
1,436	Amounts receivable for sales	3,522
114,505		77,388
3,766,546	**Total investment assets**	4,066,693
	Investment liabilities	
(786)	Amounts payable for purchases	(6,149)
(6)	Rental receipts in advance	(5)
(792)	**Total investment liabilities**	(6,154)
3,765,754	**Net investment assets**	4,060,539

NOTE 14c: INVESTMENTS ANALYSED BY FUND MANAGER

31 March 2017 %	31 March 2017 £000		31 March 2018 £000	31 March 2018 %
		Share of market value held by fund managers		
37.2	1,359,589	UBS Global Asset Management	1,486,250	37.3
50.7	1,848,763	Baillie Gifford & Co	2,037,419	51.1
2.5	91,301	Pantheon Ventures	67,469	1.7
1.8	66,568	Partners Group	53,582	1.3
7.8	285,820	Aberdeen Asset Management	344,585	8.6
100.0	**3,652,041**		**3,989,305**	**100.0**
		Analysis of investment assets - UBS		
22.0	298,854	UK equities	294,017	19.8
45.1	614,495	Overseas equities	536,121	36.0
8.4	113,765	Bonds	155,462	10.5
24.5	332,475	Bond and currency funds	500,650	33.7
100.0	**1,359,589**		**1,486,250**	**100.0**
		Analysis of investment assets - Baillie Gifford & Co		
3.1	56,473	UK equities	87,881	4.3
65.2	1,207,019	Overseas equities	1,058,615	52.0
31.7	585,271	Bond fund	890,923	43.7
100.0	**1,848,763**		**2,037,419**	**100.0**

Pantheon Ventures, Partners Group and Aberdeen Asset Management require no analysis of investments as each manager invests in only one asset class. Pantheon Ventures and Partners Group are invested solely in private equity. Aberdeen Asset Management invest solely in direct property on behalf of the Fund. No individual investment exceeded 5% of the total value of the Fund's net assets. The Fund does hold investments in bond and currency funds, each of these funds though is made up of multiple underlying assets. The values of each fund, shown as a percentage of the total Fund value, have been set out in the following table.

31 March 2017 %	31 March 2017 £000		31 March 2018 £000	31 March 2018 %
		Baillie Gifford managed funds		
15.4	585,271	Sterling Aggregate Bond Fund	890,923	21.7
		UBS managed funds		
0.9	33,174	Currency Allocation Return Fund	32,789	0.8
7.9	299,301	UK Corporate Bond UK Plus Fund	467,861	11.4
24.2	**917,746**		**1,391,573**	**33.9**

NOTE 14d: STOCK LENDING

The Fund's Investment Strategy Statement (ISS) sets out the parameters for the Fund's stock-lending programme. As at 31 March 2018, the value of quoted equities on loan was £144m.

Counter-party risk is managed through holding collateral at the Fund's custodian bank. At year end the Fund held collateral (via the custodian) at fair value of £159.4m.

Stock-lending commissions are remitted to the Fund via its custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

NOTE 14e: DIRECT PROPERTY HOLDINGS

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows.

31 March 2017 £000		31 March 2018 £000
268,575	Opening balance	285,820
	Additions	
-	Purchase of existing property	29,063
10,037	New construction	6,757
590	Subsequent expenditure	2,854
-	Disposals	(100)
6,618	Net increase in market value	20,191
285,820	Closing balance	**344,585**

The future minimum lease payments receivable by the Fund are as follows:

31 March 2017 £000		31 March 2018 £000
12,317	Within one year	13,999
45,618	Between one and five years	52,042
82,937	Later than five years	100,959
140,872	Total future lease payments due under existing contracts	**167,000**

NOTE 15: ANALYSIS OF DERIVATIVES

The Fund does not invest directly in derivatives.

NOTE 16: FAIR VALUE - BASIS OF VALUATION

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

i. Market quoted investments (Level 1)
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii. Quoted bonds (Level 1)
Bonds are recorded at net market value based on their current yield.

iii. Pooled investment vehicles (Level 2)
Pooled investment vehicles are valued at closing bid price at the closing date. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

iv. Freehold and leasehold properties (Level 3)
Freehold and leasehold properties are included on the basis of fair value. A full independent valuation of the Fund's direct property portfolio was carried out by Savills (UK) Ltd, Chartered Surveyors, in accordance with the RICS Valuation – Professional Standards (January 2014) Global and UK Edition, issued by the Royal Institution of Chartered Surveyors. The properties have been valued at the reporting date on the basis of fair value as required by the International Financial Reporting Standards (IFRS). The definition of fair value is set out in IFRS 13 and is adopted by the International Accounting Standards Board as follows: "The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.". The RICS Red Book considers that fair value is consistent with the concept of market value, the definition of which is set out in Valuation Practice Statement (VPS) 4 1.2 of the Red Book as follows: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The observable inputs include the existing lease terms and rentals; the nature of the tenancies; assumed vacancy levels and estimated rental growth.
Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

v. Unquoted equity (Level 3)
Private equity investments are recorded as detailed below. Because of the uncertainty associated with the valuation of such investments and the absence of a liquid market, the fair values of these assets may differ from their authorised values.

- The valuation of Partners Group portfolio is taken from the unaudited 31 December 2017 fund-of-fund reports and adjusted for net cash flows.

  Partners Group performs independent valuations of its underlying investments through a fair market valuation process, which is in accordance with International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). This process was implemented in 2003 and has been refined based on feedback received from PricewaterhouseCoopers (PwC), the auditor of most of the firm's programmes and mandates. On an annual basis, the monitoring and valuation process based on fair valuation principles (sample selection, valuation methodologies, etc.) is discussed and approved by the auditors of the programs managed by Partners Group.

  Partners Group complies with the defined process and applies it as the basis for the year-end valuation and subsequent quarterly Net Asset Value determinations of the programs they manage. Partners Group gather the valuation-relevant information by systematically screening a broad set of sources for valuation-relevant information about portfolio companies which are held directly or indirectly by Partners Group's programs and mandates. This includes information supplied by the firm's due diligence and monitoring professionals, underlying fund managers and information published in industry journals and/or other publications.

  The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information; to date, the audited accounts for Partners Group have been given an unqualified opinion.

- The valuation of Pantheon's portfolio is taken from the unaudited 31 December 2017 fund-of-fund reports and adjusted for net cash flows.

  Pantheon's quarterly valuation is produced in accordance with US GAAP and UK GAAP. Fund investments are carried at "fair value". Pantheon ensures that the valuation methodologies employed by underlying fund managers fulfil the measurement criteria of the International Private Equity and Venture Capital Valuation Guidelines (IPEV).

  The Fund monitors audited year end to unaudited quarterly valuations to check the consistency of the unaudited and audited information; to date, the audited accounts for Pantheon Ventures have been given an unqualified opinion.

NOTE 16a: FAIR VALUE HIERARCHY

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

Level 1
Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted bonds, quoted index linked securities and unit trusts.

Listed investments are shown at bid price. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Assets and liabilities at Level 2 are those where quoted market prices are not available; for example where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based largely on observable market data.

Level 3
Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require professional judgement in determining appropriate assumptions.

The valuation of both private equity portfolios have been prepared in accordance with industry guidelines.

The table on the following page provides an analysis of the financial assets and liabilities of the Fund grouped by and based on the level at which the fair value is observable.

Values at 31 March 2018	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	2,132,096	1,391,573	121,051	3,644,720
Non-financial assets at fair value through profit and loss			344,585	344,585
Net investment assets	**2,132,096**	**1,391,573**	**465,636**	**3,989,305**

Values at 31 March 2017	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	2,290,605	917,746	157,870	3,366,221
Non-financial assets at fair value through profit and loss			285,820	285,820
Net investment assets	**2,290,605**	**917,746**	**443,690**	**3,652,041**

NOTE 16B: TRANSFER BETWEEN LEVELS 1 AND 2

There were no transfers between levels 1 and 2 during the year.

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 1 April 2017 £000	Transfers into / (out of) Level 3 £000	Net purchases / (sales) during the year £000	Unrealised gains / (losses) £000	Realised gains / (losses) £000	Market Value 31 March 2018 £000
Private equity	157,870	-	(47,966)	(13,138)	24,285	121,051
Property	285,820	-	38,574	20,091	100	344,585
	443,690	**-**	**(9,392)**	**6,953**	**24,385**	**465,636**

NOTE 17: FINANCIAL INSTRUMENTS

NOTE 17a: CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2017 Fair value through profit and loss	31 March 2017 Loans and receivables		31 March 2018 Fair value through profit and loss	31 March 2018 Loans and receivables
£000	**£000**		**£000**	**£000**
		Financial assets		
113,765	-	Bonds	155,462	-
2,176,840	-	Equities	1,976,634	-
917,746	-	Bond and currency funds	1,391,573	-
157,870	-	Private equity	121,051	-
-	129,325	Cash	-	104,268
	8,505	Investment balances		8,452
-	14,933	Debtors	-	16,047
3,366,221	**152,763**		**3,644,720**	**128,767**
		Financial liabilities		
-	(792)	Investment balances		(6,154)
-	(5,724)	Other current liabilities		(7,642)
-	-	Derivatives		-
-	**(6,516)**		**-**	**(13,796)**
3,366,221	**146,247**	**Total**	**3,644,720**	**114,971**
3,512,468		**Grand total**	**3,759,691**	

NOTE 17b: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2017 £000		31 March 2018 £000
	Financial assets	
747,659	Fair value through profit and loss	204,412
(1,205)	Loans and receivables	2,518
	Financial liabilities	
-	Fair value through profit and loss	-
746,454	**Total**	206,930

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

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND OTHER ASSETS

Risk and risk management

The primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore 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 by assets and fund managers, to reduce exposure to market risk (price risk, currency risk and interest rate risk). In addition, the Fund manages its liquidity risk to ensure there are sufficient resources to meet the forecast cash requirement. The Pensions Panel reviews the Fund's funding strategy, in consultation with the actuary and investment adviser, based on the Fund's funding position and performance objective and taking into consideration factors including interest rates, inflation, liquidity and collateral. Prudent assumptions are used both in the strategy modelling work and when setting employer contribution rates. Performance is monitored by the Pensions Panel.

The Fund's Investment Strategy Statement (ISS) identifies the risks managed by its investment managers, sets appropriate risk limits and monitors adherence to those limits. The ISS is reviewed regularly to reflect changes in approaches to the Fund's activities.

Responsibility for the Fund's risk management strategy rests with the Pensions Panel. The Panel receives regular reports from each of the managers on the nature of the investments made on the Fund's behalf and the associated risks. Divergence from benchmark asset allocations and the composition of each portfolio is monitored by the Panel. Consideration of the Fund's investment strategy is on-going.

a. Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the value of its assets.

The object of market risk management is to identify, manage and control market risk exposures within acceptable parameters while optimising returns.

Market risk is inherent in the investments that the Fund makes, particularly through its equity holdings, and is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. A customised benchmark has been adopted which includes maximum exposures to individual investments, and risk associated with the strategy and investment return are regularly monitored and reviewed by the Pensions Panel.

Each manager has to adhere to investment guidelines that specify the managers' investment powers and restrictions.

Other price risks

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

The Fund is exposed to share price risk and derivative price risk during periods of transition. This arises from investments held by the Fund for which the future price is uncertain. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate price risk through diversification and the selection of securities. Exposure is monitored to ensure it is within limits specified in the Fund's investment strategy.

Other price risks – sensitivity analysis

The Fund has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period. This data has been provided by the Fund's actuary, Hymans Robertson, and is based on historical data.

Had the market price of the Fund investments increased/decreased as per the table below, the change in the net assets available to pay benefits in the market price would have been as follows. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. (The prior year comparator is also shown).

	Current year			
	Value at 31 March 2018 £000	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Asset type				
UK equities	381,898	16.80%	446,056	317,739
Overseas equities	1,594,736	17.90%	1,880,194	1,309,278
Bonds	155,462	8.50%	168,676	142,248
Bond funds	1,358,784	8.73%	1,477,406	1,240,162
Cash	68,936	0.50%	69,281	68,591
Property	344,585	14.30%	393,861	295,309
Private equity	121,051	28.30%	155,308	86,793
Currency fund	32,789	10.00%	36,067	29,510
Total	**4,058,241**		**4,626,849**	**3,489,630**

	Previous year			
	Value at 31 March 2017 £000	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Asset type				
UK equities	355,328	15.80%	411,470	299,186
Overseas equities	1,821,512	18.40%	2,156,670	1,486,353
Bonds	113,765	8.70%	123,663	103,868
Bond funds	884,572	8.70%	961,530	807,614
Cash	105,999	0.00%	105,999	105,999
Property	285,820	14.20%	326,406	245,234
Private equity	157,870	28.50%	202,863	112,877
Currency fund	33,174	10.00%	36,491	29,856
Total	**3,758,040**		**4,325,092**	**3,190,987**

Interest rate risk

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

Interest rate risk is monitored by the investment managers and the County Council's treasury management team.

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates vary and can affect both income and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis in the table below 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 +/- 100 BPS change in interest rates.

	Current year		
Assets exposed to interest rate risk	**Value at 31 March 2018**	**Change in year in net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Asset type			
Cash and cash equivalents	68,936	689	(689)
Cash balances	35,332	353	(353)
Bonds	155,462	1,555	(1,555)
Total	**259,730**	**2,597**	**(2,597)**

	Previous year		
Assets exposed to interest rate risk	**Value at 31 March 2017**	**Change in year in net assets available to pay benefits**	
		+100 BPS	**-100 BPS**
	£000	**£000**	**£000**
Asset type			
Cash and cash equivalents	105,999	1,060	(1,060)
Cash balances	23,326	233	(233)
Bonds	113,765	1,138	(1,138)
Total	**243,090**	**2,431**	**(2,431)**

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds monetary and non-monetary assets issued in currencies other than sterling.

Fund managers monitor the currency risk and this is considered by the Pensions Panel when making strategic asset allocation decisions.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Hymans Robertson, the Fund considers the likely volatility associated with foreign exchange rate movements to be 10%.

The analysis assumes that all other variables, in particular interest rates, remain constant. If sterling strengthens/weakens against other currencies in which the Fund holds investments, it would increase/decrease the net assets available to pay benefits as follows:

	Current year			
Assets exposed to currency risk	**Value at 31 March 2018**	**Change**	**Value on Increase**	**Value on Decrease**
	£000	**%**	**£000**	**£000**
Currency				
Overseas equities	1,594,736	10.00	1,754,210	1,435,263
Overseas bonds	360,893	10.00	396,983	324,804
Overseas private equity	121,051	10.00	133,156	108,946
Total	**2,076,680**		**2,284,348**	**1,869,013**

	Previous year			
Assets exposed to currency risk	**Value at 31 March 2017**	**Change**	**Value on Increase**	**Value on Decrease**
	£000	**%**	**£000**	**£000**
Currency				
Overseas equities	2,434,144	10.00	2,677,558	2,190,730
Overseas bonds	92,479	10.00	101,727	83,231
Overseas private equity	157,870	10.00	173,657	142,083
Total	**2,684,493**		**2,952,942**	**2,416,044**

b. Credit risk

Credit risk is the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Credit risk is related to the potential return of any investment, the most obvious being that the yields on bonds are strongly correlated to the perceived credit risk. Therefore, the risk of loss is implicit in the carrying value of the Fund's financial assets and liabilities.

The Fund is exposed to credit risk. However, this risk is minimised by selecting high quality counterparties, brokers and financial institutions.

Deposits are made only with banks and financial institutions that are rated independently and meet the Fund's credit criteria. The Fund has also set out in its Treasury Management Policy the limits of exposure to any one financial institution.

The Fund has not had any experience of default or uncollectable deposits. The fund managers held £68.9m in cash (31 March 2017: £106.0m) and cash internally managed by WSCC at 31 March 2018 was £35.3m (31 March 2017: £23.3m). This was held by institutions with the following credit ratings :

	Nominal amount 31 March 2017	**Nominal amount 31 March 2018**
	£000	£000
AAA rated counterparties	129,325	15,000
AA- rated counterparties	-	-
A rated counterparties		89,268
TOTAL	**129,325**	**104,268**

The Fund's total exposure to credit risk cannot be assessed generally as the risks of default will be specific to each financial institution. At 31 March 2018, there was no evidence that such risks were likely to materialise.

c. Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due, without incurring unacceptable losses or risking damage to the Fund's reputation. Cash is required to pay benefits, fund acquisitions and settle various other commitments. The Fund maintains a working cash balance held in instant access money market and bank accounts. A cash flow forecast is maintained to ensure sufficient funds are available. The Fund manages liquidity risk by:

- giving careful consideration to the anticipated income and expenditure required for the administration of the Fund and the payment of benefits and by maintaining in-house managed cash balances sufficient to meet day-to-day cash flows.
- keeping a significant proportion of the Fund's assets in highly liquid investments such as actively traded equities, bonds and unit trusts.

The Fund is currently cash flow positive.

The Fund's strategic allocation to property and private equity, which are relatively illiquid, is limited to 15% of the total portfolio. As the Fund is not mature, i.e. it does not need to sell assets in order to pay benefits, it is considered appropriate to hold such investments to increase diversification, minimise risk and improve long-term investment performance.

Under the regulations, the Fund is authorised to borrow in its own right to fund cash flow deficits on a short term basis.

d. Refinancing risk

The key risk is that the Fund is bound to replenish its investments at a time of unfavourable interest rates. The Fund does not hold any financial instruments that have a refinancing risk as part of its treasury management or investment strategies.

e. Counterparty risk

The Fund's global custodian, BNP Paribas has responsibility for safeguarding the assets of the Fund. Its duties include maintaining a repository of underlying information on the Fund's assets and arranging settlement of transactions, income collection and cash management. The Fund monitors BNP Paribas's performance and is in regular contact with the custodian. Monthly reconciliations are performed between the custodian's and the investment managers' records.

The Fund has appointed a number of segregated and pooled fund managers to manage portions of the Fund. An Investment Management Agreement is in place for each relationship. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2016. Reports on manager performance are monitored by the Pensions Panel on a quarterly basis. The Fund makes use of a third party performance measurement service. In addition to presenting to the Pensions Panel, managers also meet with Fund officers and advisers regularly to review activity and results.

NOTE 19: FUNDING ARRANGEMENTS - ACTUARIAL STATEMENT

Description of funding policy

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purposes of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

The key funding principles are as follows:

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

The Funding Strategy Statement (FSS) sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding position as at the last formal funding valuation

At the 2016 actuarial valuation, the Fund was assessed as 95% funded (86.4% at the March 2013 valuation). This corresponded to a deficit of £158m (2013 valuation: £371m) at that time.

Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal actuarial assumptions and method used to value the liabilities

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

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

The key financial assumptions adopted for the 2016 valuation were as follows:

	31 March 2016 %
Discount rate	3.8
Salary increase assumption	2.9
Benefit increase assumption (CPI)	2.1

Demographic assumptions

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's bespoke longevity analysis (VitaCurves) with improvements in line with the CMI 2013 model, assuming the current rate of improvements have not peaked and will converge to long term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	23.6 years	25.0 years
Future Pensioners	26.0 years	27.8 years

Copies of the 2016 valuation report and FSS are available on the Funds website or on request from West Sussex County Council.

Experience over the period since April 2017

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities. However, this has been outweighed by higher than expected asset returns, particularly during 2016/17. The overall impact has been an estmated improvement in the funding level.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (Note 19). The actuary has also used valued ill health and death benefits in line with IAS 19.

31 March 2017 £m		**31 March 2018 £m**
(1,812)	Active members	(1,973)
(909)	Deferred pensioners	(902)
(1,591)	Pensioners	(1,530)
(4,312)	Present value of promised retirement benefits	(4,405)
3,798	Fair value of scheme assets (bid value)	4,104
(514)	Net liability	(301)

As noted above, the liabilities above are calculated on an IAS 19 basis and will therefore differ from the results of the 2016 triennial funding valuation (Note 19) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the aggregate liability appears to be a reasonable estimate of the actuarial present value of benefit promises.

No allowance has been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the administering authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

IAS 19 Assumptions used

The assumptions used are those adopted for the administering authority's IAS 19 report and are different as at 31 March 2018 and 31 March 2017.

The Fund actuary estimates that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £86m. There is no impact from any change in demographic and longevity assumptions because they are identical to the previous period.

	31 March 2017 % p.a.	31 March 2018 % p.a.
Inflation / pensions increase rate	2.4	2.4
Salary increase rate	3.1	3.1
Discount rate	2.6	2.7

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model assuming long term improvements of 1.5% p.a., with allowance for short term rates of improvement and declining mortality for the over 90s.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	23.6 years	25.0 years
Future pensioners *	26.0 years	27.8 years

* Future pensioners are assumed to be currently aged 45 at the latest formal valuation

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

NOTE 21: CURRENT ASSETS

31 March 2017 £000		31 March 2018 £000
	Debtors:	
2,238	Contributions due - members	2,220
6,789	Contributions due - employers	7,794
592	Prepayments	1
2,790	Other debtors	1,460
2,524	Taxation	4,572
14,933		16,047
23,326	Cash balances	35,332
38,259		**51,379**

Analysis of debtors

31 March 2017 £000		31 March 2018 £000
4,132	Central government bodies	5,982
7,487	Other local authorities	6,663
1,746	Educational establishments	1,792
1,568	Other entities and individuals	1,609
14,933		**16,046**

NOTE 22: CURRENT LIABILITIES

31 March 2017 £000		31 March 2018 £000
863	Contributions	3
97	Benefits payable	327
4,764	Other current liabilities	7,312
5,724		**7,642**

Analysis of creditors

31 March 2017 £000		31 March 2018 £000
1,096	Central government bodies	1,124
639	Other local authorities	131
103	Educational establishments	228
3,886	Other entities and individuals	6,159
5,724		**7,642**

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Market Value 31 March 2017 £000		Market Value 31 March 2018 £000
2,041	Standard Life	2,102
479	Equitable Life	435
2,520		**2,537**

AVC Contributions of £305,339 were paid directly to Standard Life during the year (2016/17: £189,267). The Equitable Life contributions ceased in 2001. AVCs are separately invested and are therefore not included in the Pension Fund accounts in accordance with regulations 4(2)(b) of the LGPS Management and Investment of Funds regulations 2009 (as amended).

NOTE 24: RELATED PARTY TRANSACTIONS

West Sussex County Council

The West Sussex Pension Fund is administered by West Sussex County Council. Therefore, there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the Council incurred costs of £1.1m (2016/17: £0.9m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £54.9m to the Fund in 2017/18 (2016/17: £56.1m - £44.9m contributions as a % of payroll, £11.2m as a lump sum). All monies owing to and due from the Fund have been accounted for in the year.

Part of the Pension Fund cash holdings are invested in the money market by the Treasury Management operations at West Sussex County Council, in line with the Fund's Treasury Management Policy. During the year to 31 March 2018, the Fund had a daily average investment balance of £38.1m (31 March 2017: £35.9m) earning interest of £0.163m (2016/17: £0.123m) in these funds at a rate of return of 0.33% (2016/17: 0.34%).

Governance

No members of the Pensions Panel are in receipt of pension benefits from the West Sussex Pension Fund.

Each member of the Pensions Panel is required to declare their interests at each meeting.

NOTE 24a: KEY MANAGEMENT PERSONNEL

The Director of Finance, Performance and Procurement and S151 officer has responsibility for the proper financial administration of the Fund under the Local Goverment Act 1972. This Officer is employed by the Administering Authority but spent a proportion of time on the financial management of the Fund. These costs comprise an element of the recharge from the Fund to the County Council in 2017/18 of £1.1m. The total Pension Fund contribution relating to Key Management Personnel is set out below:

31 March 2017 £000		31 March 2018 £000
16	Total apportioned remuneration	16

NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding commitments in private equity at 31 March 2018 totalled £30.3m (31 March 2017 : £36.4m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity part of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the period of investment.

Estimates provided to members indicate that at year-end there are potential liabilities of £2.1m in respect of members who have enquired about transferring benefits out of the scheme and on whom the Fund is awaiting a final decision.

NOTE 26: CONTINGENT ASSETS

There were no contingent assets at the period end.