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Cyngor **Sir Gâr**
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County Council

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TUESDAY, 2 NOVEMBER 2021

TO: ALL MEMBERS OF THE DYFED PENSION FUND PENSION BOARD

I HEREBY SUMMON YOU TO ATTEND A **VIRTUAL MEETING** OF THE **DYFED PENSION FUND PENSION BOARD** WHICH WILL BE HELD **AT 2.00PM, ON TUESDAY, 9TH NOVEMBER, 2021** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA

Wendy Walters

CHIEF EXECUTIVE

PLEASE RECYCLE

Democratic Officer:	**Martin S. Davies**
Telephone (direct line):	**01267 224059**
E-Mail:	**MSDavies@carmarthenshire.gov.uk**

Wendy Walters Prif Weithredwr*, Chief Executive,*
Neuadd y Sir, Caerfyrddin. SA31 1JP
County Hall, Carmarthen. SA31 1JP

DYFED PENSION FUND PENSION BOARD MEMBERSHIP

Gwyn Jones	**Member Representative**
Paul Ashley-Jones	**Employer Member Representative**
Cllr. Philip Hughes	**Employer Member Representative**
John Jones	**Chair of the Board**
Cllr Gareth Lloyd	**Employer Member Representative**
Mike Rogers	**Pensioner Member Representative**
Tommy Bowler	**Union Member Representative**

A G E N D A

THE REPORTS RELATING TO THE FOLLOWING ITEMS ARE NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) (WALES) ORDER 2007. IF, FOLLOWING THE APPLICATION OF THE PUBLIC INTEREST TEST, THE COMMITTEE RESOLVES PURSUANT TO THE ACT TO CONSIDER THESE ITEMS IN PRIVATE, THE PUBLIC WILL BE EXCLUDED FROM THE MEETING DURING SUCH CONSIDERATION.

DYFED PENSION FUND PENSION BOARD

20 JULY 2021

PRESENT: John Jones (Chair);

Committee Members:
Cllr Philip Hughes - Employer Member Representative;
Cllr Gareth Lloyd - Employer Member Representative;
Mr Tommy Bowler - Union Member Representative;
Mr. M. Rogers - Pensioner Member Representative.

Also present as an observer:
Cllr. D.E. Williams, Chair of the Dyfed Pension Fund Committee;
Mr A. Brown – Independent Investment Advisor;

The following Officers were in attendance:
C. Moore, Director of Corporate Services;
A. Parnell, Treasury & Pension Investments Manager;
K. Gerard, Pensions Manager;
M. Owens, Assistant Accountant;
A. Eynon, Simultaneous Translator;
M.S. Davies, Democratic Services Officer;
J. Owen, Democratic Services Officer.

Virtual Meeting:10:00am - 11:21am

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Gwyn Jones (Member Representative) and Mr Paul Ashley-Jones (Employer Member Representative)

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest made at the meeting.

3. MINUTES OF THE PENSION BOARD MEETING HELD ON THE 16TH APRIL 2021

AGREED that the minutes of the meeting for the Pension Board held on the 16th April 2021 be confirmed as a correct record.

4. DYFED PENSION FUND COMMITTEE MEETING - 16 JUNE 2021

4.1. PENSION BOARD MINUTES 17 FEBRUARY 2021

The Board noted the minutes of the Dyfed Pension Board meeting held on 17th February, 2021 had been received by the Dyfed Pension Fund Committee.

4.2. FINAL BUDGETARY POSITION 2020-21

The Board received the final Dyfed Pension Fund Budgetary position for 2020-21 as at 31st March 2021 which showed an over spend compared to budget of £837k on cash items. Total expenditure had been £101.3m and total income had been £100.5m.

AGREED that the report be noted.

4.3. CASH RECONCILIATION AS AT 31 MARCH 2021

The Board considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that, as at 31 March 2021, £8.8m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

AGREED that the report be noted.

4.4. PENSIONS ADMINISTRATION REPORT

The Board received a report providing an update on Pensions Administration. The report included updates on the activities within the Pensions administration service and included regulatory matters, new employer, breaches register, i-Connect, Data Quality reports, GMP reconciliation and workflows.

Reference was made to the Regulatory update. In response to a query raised in relation to the McCloud/Sargeant update, the Pensions Manager explained that explained that meetings had taken place with 3 of the largest employers in order to clarify the categories and members for which uploads were required. and that it was anticipated that following a consultation amended regulations and guidance would be published in April 2022.

Following concern raised regarding the amount of work that would be generated in terms of collecting data for employees who have worked between 1st April 2014 to 31st March 2022, the Pensions Manager stated that it was necessary to recalculate the benefits, and that this would be completed in due course by way of a detailed project plan.

AGREED that the report be noted.

4.5. BREACHES REPORT 2021-22

The Board received for consideration the Breaches Report in relation to the Dyfed Pension Fund. It was noted that Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Code of Practice No. 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provide guidance on reporting these breaches.

The Board noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time. Those had now been received so no report had been sent to the Pensions Regulator.

AGREED that the Breaches Report in relation to the Dyfed Pension Fund be noted.

4.6. RISK REGISTER 2021-22

The Board was advised that the Risk Register was a working document that highlighted all the risks identified in relation to the functions of the Dyfed Pension Fund. It was advised that the risk register for 2021-2022 had been reviewed to ensure risks had been identified and assessed. It was reported that there had been no changes since the previous committee meeting.

It was highlighted to Board Members that the reports header information had included information that was currently provided to the Dyfed Pension Board Committee.

Agreed that the risk register report for 2021-2022 be noted.

4.7. WALES PENSION PARTNERSHIP (WPP) BUSINESS PLAN 2021-24

The Board received the Wales Pension Partnership (WPP) Business Plan for the period 2021-2024 detailing how the Fund was to achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

In response to a query raised in relation to a policy on voting shares the Treasury & Pension Investments Manager explained that that WPP had appointed Robeco UK as the voting and engagement provider and that they provide regular updates on voting activity in addition to providing quarterly and annual reports.

AGREED to note the Wales Pension Partnership Business Plan for the period 2021-24.

4.8. TRAINING PLAN 2021-22

The Board received the Wales Pension Partnership Training Plan for the period 2021-2022 detailing meetings, training events and the members and officers anticipated to attend the events.

AGREED that the Wales Pension Partnership Training Plan for the period 2021-22 be noted.

4.9. **DRAFT MINUTES OF THE PENSION COMMITTEE MEETING 16 JUNE 2021**

AGREED that the draft minutes of the meeting of the Dyfed Pension Fund Committee held on the 16th June 2021 be noted.

5. PENSION BOARD WORK PLAN 2021

The Board considered the Pension Board Workplan for 2021 which outlined the work of the Pension Board throughout 2021 and the items to be presented at each meeting.

AGREED to note the workplan for 2021.

6. PENSION BOARD BUDGET MONITORING 1 APRIL 2021 - 30 JUNE 2021

The Board received the final Pension Board Budget Monitoring report and considered the budgetary position as at 30 June 2021. The final position as at 30 June 2021 was an under spend compared to budget of £4.5k.

AGREED to receive Pension Board Budget Monitoring 1 April 2020 – 30 June 2021.

7. EXCLUSION OF THE PUBLIC

RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

8. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 MARCH 2021

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board received the Independent Investment Adviser Performance and Risk Report that provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3-year period ending 31 March 2021 together with the global market background and issues for consideration.

AGREED to note the Independent Investment Adviser Report as at 31 March 2021.

9. NORTHERN TRUST PERFORMANCE REPORT TO 31 MARCH 2021

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board received the Northern Trust Performance report for the Dyfed Pension Fund as at 31 March 2021, which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

AGREED to note the Northern Trust Performance report for the Dyfed Pension Fund as at 31 March 2021.

10. INVESTMENT MANAGER REPORTS AT 31 MARCH 2021

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board received for consideration reports provided by the Investment Managers which set out the performance of each manager as at 31 March 2021. The following appendices were considered:-

- Appendix A - BlackRock – Quarterly Report 31 March 2021
- Appendix B - Schroders – Q1 2021 Investment Report
- Appendix C - Partners Group – Quarterly Report Q1 2021
- Appendix D - WPP Global Growth Fund – 31 March 2021
- Appendix E - WPP Global Credit Fund – 31 March 2021

AGREED to note the Investment Manager reports - Appendix A-E for the Dyfed Pension Fund.

11. CEM BENCHMARKING REPORT 2019-20

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the CEM Benchmarking report 2019-2020 for the Dyfed Pension Fund which included an independent assessment of value-for-money by comparing costs and performance with other pension funds.

AGREED to note the CEM Benchmarking report 2019-2020 for the Dyfed Pension Fund.

CHAIR **DATE**

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DYFED PENSION FUND PENSION BOARD
DATE 09/11/2021

Dyfed Pension Fund Committee Meeting 8 October 2021
Recommendations / key decisions required: The Pension Board to note and comment on the minutes and actions of the Dyfed Pension Fund Committee meeting on 8 October 2021.
Reasons: To inform the Pension Board of the meeting of the Dyfed Pension Fund Committee that was held on 8 October 2021.
Relevant scrutiny committee to be consulted NA
Cabinet Decision Required NA Council Decision Required NA

CABINET MEMBER PORTFOLIO HOLDER:- NA		
Directorate: Name of Head of Service: Chris Moore Report Author: Chris Moore	Designations: Director of Corporate Services	Tel: 01267 224120 Email addresses: CMoore@carmarthenshire.gov.uk

Cyngor Sir Gâr
Carmarthenshire County Council

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
DATE 09/11/2021

Dyfed Pension Fund Committee Meeting 8 October 2021

A Pension Fund Committee meeting was held on 8 October 2021 and the following agenda items were considered and noted:

- Audit of Financial Statements Report 2020-21 (ISA 260)
- Statement of Accounts 2020-21
- Dyfed Pension Fund Pension Board Minutes 16 April 2021
- Budget Monitoring 1 April 2021 – 30 June 2021
- Cash Reconciliation as at 30 June 2021
- Draft Investment Strategy Statement 2021
- Updated Funding Strategy Statement
- Pensions Administration Report
- Breaches Report 2021-22
- Risk Register 2021-22
- WPP Operator Update
- Training Plan 2021-22

The draft minutes of the Pension Fund Committee meeting on 8 October 2021 are attached for information.

DETAILED REPORT ATTACHED?	YES

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: C Moore **Director of Corporate Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	**YES**	**YES**	**NONE**	**YES**	**NONE**	**NONE**

Legal

Audit of Financial Statements Report 2020-21 - This report is for review and comment by the Pension Committee. The Audit Committee is charged with the responsibility of approving the ISA 260.
Draft Investment Strategy Statement - The ISS is an important governance document for the Dyfed Pension Fund.
Updated Funding Strategy Statement - The FSS is an important investment document for the Dyfed Pension Fund.

Finance

Statement of Accounts 2020-21 - The fund account and Net Asset Statement for the Dyfed Pension Fund at the 31 March 2021 was £3,049m.

Budget Monitoring - Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow projection was positive by £2m as at 30 June 2021.

Cash Reconciliation - A sufficient cash balance is required to be held by Carmarthenshire to ensure the Fund can meet its immediate cash flow requirements.

Risk Management

Risk Register - The register is used to identify any risks relating to the functions of the Dyfed Pension Fund and highlights what measures are in place to mitigate these risks. Failure to manage the risks correctly could result in the Fund not meeting its objectives.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below **Signed:** **C Moore** **Director of Corporate Services**	
1. Scrutiny Committee NA **2.Local Member(s)** NA **3.Community / Town Council** NA **4.Relevant Partners** NA **5.Staff Side Representatives and other Organisations** NA	
CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED NA	**Include any observations here**

Section 100D Local Government Act, 1972 – Access to Information **List of Background Papers used in the preparation of this report:** **THERE ARE NONE**

DYFED PENSION FUND COMMITTEE

FRIDAY, 8 OCTOBER 2021

PRESENT: Councillor D.E. Williams (Chair)

Councillors: D.M. Cundy and D. Thomas (In place of T.J. Jones)

Also in attendance:
A. Brown – Independent Investment Advisor;
A. Worthy – Audit Wales.

The following Officers were in attendance:
C. Moore, Director of Corporate Services;
R. Hemingway, Head of Financial Services;
A. Parnell, Treasury & Pension Investments Manager;
M. Owens, Pension Investment Officer;
E. Bryer, Democratic Services Officer;
J. Owen, Democratic Services Officer;
R. Morris, Members Support Officer;
S. Rees, Simultaneous Translator.

Virtual Meeting: 10:00am - 10:55am

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor T. J. Jones.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 16TH JUNE 2021

RESOLVED that the minutes of the meeting of the Committee held on the 16th June, 2021 be signed as a correct record.

4. AUDIT OF FINANCIAL STATEMENTS REPORT 2020-21 (ISA 260)

The Committee welcomed to the meeting Anwen Worthy from Audit Wales who presented the Audit of Financial Statements Report for the Dyfed Pension Fund detailing the matters arising from the audit which required reporting under ISA 260.

It was noted that the Auditor General was responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund gave a true and fair view of their financial position as at 31 March 2021 and of its income and expenditure for the year end.

The Committee was advised that an unqualified audit report on the financial statements had been issued and the finalised report would be considered by the Governance and Audit Committee in due course.

The Committee wished to express their sincere thanks to Audit Wales for undertaking the Audit and to the Pension department for all their hard work in what had resulted in a successful audit.

UNANIMOUSLY RESOLVED that the Audit of Financial Statement Report 2020-21 (ISA260) be received.

5. STATEMENT OF ACCOUNTS 2020-21

The Committee received the Statement of Accounts for 2020-21 which provided information about the financial position, performance and financial adaptability of the Fund for the year 2020-21.

The accounts presented the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The Committee considered the main accounts and reports contained within the Statement of Accounts as follows:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

The Committee was advised that following consideration by the Governance and Audit Committee the Statement of Accounts would be made available for viewing on the website in due course.

UNANIMOUSLY RESOLVED that the Statement of Accounts 2020-21 be received.

6. DYFED PENSION FUND PENSION BOARD MINUTES 16 APRIL 2021

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 16th April, 2021 be received.

7. BUDGET MONITORING 1 APRIL 2021 - 30 JUNE 2021

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2020/21 financial year. It was noted that the current position, as at 30 June 2021, forecasted an under-spend of £2m in cash terms.

With regard to expenditure, the net effect of Benefits Payable and Transfers Out was an under spend of £1.2m. That was mainly due to an increase of 3% built in at budget setting for pensioners, actual increase for the year to date was 1.75%. Management expenses were underspent by £317k.

With regard to income, the net effect of contributions, investment income and transfers in was an increase of £536k, mainly due to a higher than budgeted investment income being forecast.

Overall total expenditure was estimated at £102.8m and total income was estimated at £104.8m resulting in a positive cash flow position of £2m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2021 to 30th June 2021 be received.

8. CASH RECONCILIATION AS AT 30 JUNE 2021

The Committee considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that, as at 30th June 2021, £11m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Cash Reconciliation report be received.

9. DRAFT INVESTMENT STRATEGY STATEMENT 2021

The Committee received a report which provided the 2021 Draft Investment Strategy Statement for approval. The Statement of the Dyfed Pension Fund which is required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high-level risk register, and had been designed to be informative for all stakeholders.

The Committee expressed that it was pleasing to note the section on climate change where the fund recognised the importance in addressing the financial risks associated with climate change through its investment strategy. In addition, Dyfed Pension Fund also took account of the Wales Pension Partnership's Responsible Investment and Climate Risk polices.

Reference was made to a recent e-mail received from Divest Dyfed on divesting immediately from fossil fuels. It was reported that currently engagement with companies was a priority for the Fund, not divestment, and a balanced and informed journey on any divestments from these assets. The Director of Corporate Services stated in response to the e-mail that a meeting would be arranged with Divest Dyfed.

The Director of Corporate Services reported that the Dyfed Pension Fund Annual Consultative Meeting that took place 7th October 2021 was successful and that positive feedback had been received from the employers present.

UNANIMOUSLY RESOLVED that the Draft Investment Strategy Statement 2021 be approved.

10. UPDATED FUNDING STRATEGY STATEMENT

The Committee received a report which provided the updated Funding Strategy Statement for approval.

It was reported that the Statement had been updated to reflect the new employer flexibilities of Debt Spreading Arrangements and Deferred Debt Agreements.

The Funding Strategy Statement sets out a clear and transparent funding strategy that identified how each Fund employer's pension liabilities would be met going forward.

UNANIMOUSLY RESOLVED that the Updated Funding Strategy Statement be approved.

11. PENSIONS ADMINISTRATION REPORT

The Committee received a report providing an update on Pensions Administration. The report included updates on the activities within the Pensions Administration service and included regulatory matters, new employer, breaches register, i-Connect, GMP reconciliation and workflows.

The Committee noted that Adapt had become a scheme employer on 11th June 2021 following a TUPE transfer of staff and that a bond was in place to cover liabilities.

UNANIMOUSLY RESOLVED that the Pension Administration Report in relation to the Dyfed Pension Fund be noted.

12. BREACHES REPORT 2021-2022

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund. The Committee noted that Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Code of Practice No. 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provide guidance on reporting these breaches.

The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Panel in March 2016. Under the policy, breaches of the law were required to be reported to the Pensions Regulator where there was a reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;

- the failure to comply was likely to be of material significance to the Regulator in the exercise of any of its functions.

The Committee noted that since the last meeting there had been a couple of instances where employee/employer contributions had not been received on time. No report had had to be sent to the Pensions Regulator.

UNANIMOUSLY RESOLVED that the Breaches Report in relation to the Dyfed Pension Fund be noted.

13. RISK REGISTER 2021-2022

The Committee was advised that the Risk Register highlighted all the risks identified in relation to the functions of the Dyfed Pension Fund. It was advised that the risk register for 2021-2022 had been reviewed and there had been no changes since the previous committee meeting.

The risks would continue to be reviewed on a quarterly basis and any amendments would be drawn to the Committee's attention.

UNANIMOUSLY RESOLVED that the risk register report for 2021-2022 be approved.

14. OPERATOR UPDATE

The Committee received a progress update report of the Wales Pension Partnership (WPP), which included the following key areas:-

- Current Fund Holdings
- Fund Launch Progress
- Link / Russell Investments Corporate Update and Engagement

The report included the milestones of the following Sub Funds together with the current fund holdings, fund launch progress and LFS corporate update and engagement as follows:-

- Tranche 1 – Global Equity
- Tranche 2 – UK Equity
- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets

In addition, the Committee considered the Corporate and Engagement update including the engagement protocol and key meeting dates.

UNANIMOUSLY RESOLVED that the Operator Update report be received and the milestones and progress of the Wales Pension Partnership be noted.

15. TRAINING PLAN 2021-2022

The Committee received for consideration an update on the Wales Pension Partnership Training Plan for the period 2021-2022 detailing meetings, training events and the members and officers anticipated to attend the events.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Training Plan update be noted.

16. EXCLUSION OF THE PUBLIC

RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

17. INDEPENDENT ADVISOR PERFORMANCE & RISK TO 30 JUNE 2021

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Committee received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 30 June, 2021.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at 31 March 2021 be noted.

18. EQUITY RESTRUCTURE PHASE II

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Committee received a report on the Equity Restructure Phase II which provided proposals regarding the second phase of the Fund's proposed actions aimed at reducing carbon footprint and improving the cashflow generated from the portfolio.

UNANIMOUSLY RESOLVED that the proposals as set out in the Equity Restructure Phase II report be approved.

19. NORTHERN TRUST PERFORMANCE REPORT 30 JUNE 2021

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Committee considered the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2021, which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

UNANIMOUSLY RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 30 June 2021 be received.

20. INVESTMENT MANAGER REPORTS TO 30 JUNE 2021

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 16 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Committee considered the investment managers reports which set out performance of each manager as at 30th June 2021.

BlackRock – Quarterly Report 30th June 2021
Schroders – Q2 2021 Investment Report
Partners Group – Quarterly Financials June 2021
WPP Global Growth Fund – 30th June 2021
WPP Global Credit Fund – 30th June 2021

UNANIMOUSLY RESOLVED that the Investment Manager reports for the Dyfed Pension Fund be received.

_________________________ ____________________

CHAIR **DATE**

Audit of Accounts Report – **Dyfed Pension Fund**

Audit year: 2020-21

Date issued: October 2021

Document reference:

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

Handling prior to publication

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

We intend to issue an unqualified audit report on your Accounts. There are some matters to report to you prior to their approval.

Audit of Accounts Report

Introduction

1 We summarise the main findings from our audit of your 2020-21 accounts in this report.

2 We have already discussed these issues with the Director of Corporate Services and his team.

3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.

4 We set this level at £30.4 million for this year's audit.

5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:

- Key Management Personnel Disclosures - £1,000
- Related Party Transactions - £10,000

6 We have almost completed this year's audit, but the following work is outstanding at the time of drafting this report:

- resolution of queries relating to a small number of other accounts areas;
- The response to our enquiries of management and those charged with governance relating to fraud and related party management arrangements;
- The controls assurance report and bridging letter in relation to the fund manager Blackrock;
- the Welsh Annual Report, and our comparison of the English and Welsh versions of the report;
- the final review of our audit file; and
- our final review of the revised 2020-21 financial statements and Annual Report.

7 We will provide a verbal update on these outstanding items at the Audit and Governance Committee at its meeting on 12 October 2021.

8 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

9 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this

pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.

10 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year's audit

Timetable	• We received the draft accounts on 30 July 2021. • We agreed that the Pension Fund audit would commence upon the completion of our local Council audits. • The audit will be substantially completed by 8 October 2021. • The Auditor General will sign the Audit Opinion following receipt of the signed approved accounts.
Electronic signatures	The current plan is for the Governance and Audit Committee to approve the 2020-21 financial statements at its virtual meeting on 12 October 2021. The Section 151 officer will then arrange for manual signatures to be obtained prior to the audit opinion being issued. There are no current plans to use electronic signatures, however, should the Council decide they should proceed on this basis, then we can accept the use of electronic signatures and electronic transfer of files during the approval and signing process.
Audit evidence	As in previous years, we received the majority of audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of Covid-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically: • officers provided electronic working papers in accordance with our agreed Audit Deliverables Report; • officers provided audit evidence to the audit team via email or the shared folder accessible by auditors through the Council laptops; and • Audit Wales has remote read-only access to the Agresso ledger system which enabled the audit team to run reports and view evidence and hence reduce the burden on officers to provide this information.
Other	• Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit. • Video-conference based Governance and Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.

11 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

Proposed audit opinion

12 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.

13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.

14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.

15 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

16 There are no misstatements identified in the accounts, which remain uncorrected.

Corrected misstatements

17 There were some minor presentational errors in the draft financial statements that have now been corrected by management.

Other significant issues arising from the audit

18 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of Dyfed Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020-21; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

   - additional information that you have requested from us for the purpose of the audit; and
   - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Pension Fund and involves:
   - management;
   - employees who have significant roles in internal control; or
   - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Governance and Audit Committee on 12 October 2021.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:	Signed by:
Director of Corporate Services	Chair of the Governance and Audit Committee
Date:	Date:

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Carmarthenshire County Council as administering authority for Dyfed Pension Fund

Opinion on financial statements

I have audited the financial statements of Dyfed Pension Fund for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004. Dyfed Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

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 2021 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- 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 2020-21.

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

Conclusions relating to going concern

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:

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

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 pages 65 and 66, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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, the pension fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Dyfed Pension Fund's policies and procedures concerned with:
    - 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. As part of this discussion, I identified potential for fraud in the posting of unusual journals; and
- Obtaining an understanding of Dyfed Pension Fund's framework of authority as well as other legal and regulatory frameworks that Dyfed 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 Dyfed Pension Fund.

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 Dyfed 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.

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales

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Cardiff
CF11 9LJ

Archwilio Cymru
Audit Wales

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Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

DYFED PENSION FUND DRAFT STATEMENT OF ACCOUNTS 2020-2021 PUBLISHED SUBJECT TO AUDIT

NARRATIVE REPORT

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2020-21. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the “Code”), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2020-2021, reference should be made to the Annual Report and Accounts 2020-21 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority’s Responsibilities

The Authority is required:

- To make arrangements for the proper administration of the pension fund’s affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Director of Corporate Services
- To manage the pension fund affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts

The Director of Corporate Services' Responsibilities

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Kept proper and timely accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Complied with the Code

Certification of Accounts

I certify that the Statement of Accounts on pages 3 to 36 gives a true and fair view of the financial position of the Dyfed Pension Fund at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Chris Moore FCCA
Director of Corporate Services

Dated: 28 July 2021

Fund Account for the Year Ended 31 March 2021

2019-20 £'000		Note	2020-21 £'000
Restated*	**Dealings with members, employers and others directly involved in the Fund**		
	Contributions		
	Employer		
48,008	Normal		63,914
7,881	Augmentation		5,104
4,349	Past Service Deficit/(Surplus)		(6,563)
	Member		
19,961	Normal		21,339
221	Additional voluntary		260
6,851	Transfers in from other pension funds	6	3,196
87,271			87,250
	Benefits payable		
(72,859)	Pensions payable		(75,109)
(14,708)	Commutation and lump sum retirement benefits		(11,727)
(2,200)	Lump sum death benefits		(2,947)
(3,597)	Payments to and on account of leavers	7	(3,595)
(93,364)			(93,378)
(6,093)	**Net Additions (Withdrawals) from dealings with Members**		**(6,128)**
(11,864) *	Management Expenses	8	(15,186)
(17,957)	**Net Additions (Withdrawals) including fund management expenses**		**(21,314)**
	Returns on Investments		
13,913 *	Investment Income	9	32,187
0	Other Income		0
0	Taxes on Income (Irrecoverable Withholding Tax)	10	(51)
	Changes in the market value of investments		
(217,439)	Unrealised	11.2	186,742
30,270	Realised	11.3	467,512
(173,256)	**Net Return on Investments**		**686,390**
(191,213)	**Net Increase (Decrease) in the net assets available for benefits during the year**		**665,076**
2,575,686	Opening Net Assets of Scheme		2,384,473
2,384,473	**Closing Net Assets of Scheme**		**3,049,549**

*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

Net Assets Statement for the year ended 31 March 2021

31/03/20 £'000		Note	31/03/21 £'000
2,365,404	Investment Assets		3,029,868
12,215	Cash deposits		11,376
0	Investment liabilities		0
2,377,619		11.1	3,041,244
10,386	Current assets	15	12,723
(3,532)	Current liabilities	16	(4,418)
6,854	Net Current Assets/(Liabilities)		8,305
2,384,473	**Total Net Assets**		**3,049,549**

Reconciliation of the movement in Fund Net Assets

2019-20 £'000		2020-21 £'000
2,575,686	Opening Net Assets	2,384,473
(4,044)	Net New Money Invested	10,822
(187,169)	Profit and losses on disposal of investments and changes in the market value of investments	654,254
2,384,473	**Closing Net Assets of Fund**	**3,049,549**

Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2021

1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and the administering authority (the Authority) is Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2020-2021 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

1.1 General

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

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Committee (the Committee).

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 the scheme.

Organisations participating in the Dyfed Pension Fund include:
- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 69 employer organisations within the Dyfed Pension Fund as at 31 March 2021 and these are detailed in Note 20. The membership details of these organisations are summarised below:

31/03/20		**31/03/21**
18,564	Number of active contributors in the Fund	18,700
14,059	Number of pensioners	14,626
15,900	Number of deferred pensioners	15,881
2,259	Number of undecided leavers	2,293
50,782 *	**Total membership**	**51,500**
46	Number of employers with active members	47

*Restated to include undecided leavers

These figures reflect the recorded position as at 31 March 2021 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund 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 2021. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2019. Currently, employer contribution rates range from 7.4% to 27.6% of pensionable pay as detailed in Note 20.

1.4 Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service 31 March 2008 - 31 March 2014
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1st 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 uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – www.dyfedpensionfund.org.uk

2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2020-2021 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-2021 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

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.

3.2 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 financial year and are calculated in accordance with the Local Government Pension Scheme 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 are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.3 Investment income

3.3.1 Interest income
Interest income is recognised in 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 (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

3.3.2 Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.3 Distributions from pooled funds
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.

3.3.4 Movement in the net market value of investments
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.4 Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

3.5 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.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

3.6 Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed 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.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.66m in 2020-2021 (2019-2020: Fee was £0.76m).

Where an investment manager's fee note 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 2020-2021, no fees are based on such estimates (2019-2020: £0).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund. The Council charged the Pension Fund an amount of £1.2m (£1.1m in 2019-20) in respect of administration and support during 2020-21.

Net assets statement

3.7 Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets 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 the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

3.7.1 Market-quoted investments
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.

3.7.2 Fixed interest securities
Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments
Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.

3.7.4 Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

3.7.5 Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

3.8 Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

3.9 Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

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 changes in value.

The Fund has had its own bank accounts, which deal with the transactions of the Fund, since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

3.10 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 the fair value of the liability are recognised by the Fund.

3.11 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 IAS19 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 reference in the accompanying actuarial report.

3.12 Additional voluntary contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and UTMOST (previously Equitable Life), where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only - Note 17.

4 Critical judgements in applying accounting policies

4.1 Fund liability

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 21. This estimate is subject to significant variances based on changes to the underlying assumptions.

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31st March 2021 was £38.5m (31st March 2020: £36.0m).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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 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. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £38.5m. There is a risk that this investment may be under or overstated in the accounts.
Alternatives – Strategic Alternative Income Fund (SAIF)	The SAIF investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total SAIF investment is £84m. There is a risk that this investment may be under or overstated in the accounts.

6 Transfers in from other pension funds

2019-20 £'000		2020-21 £'000
0	Group transfers in from other schemes and scheme mergers	0
6,851	Individual transfers in from other schemes	3,196
6,851		**3,196**

7 Payments to and on account of Leavers

2019-20 £'000		2020-21 £'000
(196)	Refunds to members leaving service	(153)
20	Payments for members joining state scheme	1
0	Group transfers	0
(3,421)	Individual transfers	(3,443)
(3,597)		**(3,595)**

8 Management Expenses

2019-20 £'000 Restated*		2020-21 £'000
(1,274)	Administrative costs	(1,354)
(9,972) *	Investment management expenses	(13,303)
(618)	Oversight and governance costs	(529)
(11,864)		**(15,186)**

*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

2020-21 Audit fees of £28,266 included within Oversight and governance costs. (2019-20 £28,280)

8.1 Investment Management Expenses

2020-21	£'000 Total	£'000 Management Fees	£'000 Performance Related Fees	£'000 Transaction Costs
Pooled Investments	8,958	4,477	660	3,821
Pooled Property Investments	4,297	1,456	0	2,841
	13,255	**5,933**	**660**	**6,662**
Custody Fees	48			
Total	**13,303**			

2019-20	£'000 Total	£'000 Management Fees	£'000 Performance Related Fees	£'000 Transaction Costs
Pooled Investments *	6,674	3,948	763	1,963
Pooled Property Investments	3,268	1,561	0	1,707
	9,942	**5,509**	**763**	**3,670**
Custody Fees	30			
Total	**9,972**			

*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

9 Investment Income

2019-20 £'000 Restated*		**2020-21** **£'000**
2,752 *	Income from pooled investments	23,898
11,057	Income from pooled property investments	8,265
104	Interest on cash deposits	24
13,913		**32,187**

*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

In 2020-21, distributions paid in respect of the WPP funds were automatically reinvested to increase the market value of our holdings.

10 Taxation

2019-20 **£'000**		**2020-21** **£'000**
0	Withholding tax -Pooled	(51)
0		**(51)**

11 Investments

11.1 Net investment assets

Fair value 31/03/2020 £'000		Fair value 31/03/2021 £'000
	Investment assets	
	Pooled Investments *	
424,727	UK Equities	518,289
545,586	Global Equities	962,408
269,631	US Equities	0
9,879	Canadian Equities	15,352
62,469	European Equities	79,420
83,166	Japanese Equities	105,477
22,600	Pacific Basin Equities	32,241
194,260	Emerging Markets Equities	267,934
0	ACS World Low Carbon Equity Tracker Fund	305,992
272,772	Fixed Income	258,679
107,390	Index Linked	61,172
53,198	Alternatives	84,314
2,045,678		**2,691,278**
	Other Investments **	
319,669	Pooled Property Investments	338,043
319,669		**338,043**
12,215	**Cash deposits**	11,376
57	**Investment income due**	547
0	**Amounts receivable for sales**	0
12,272		**11,923**
2,377,619	**Total investment assets**	**3,041,244**
	Investment liabilities	
0	**Amounts payable for purchases**	0
0	**Total investment liabilities**	**0**
2,377,619	**Net investment assets**	**3,041,244**

*2019-20 Equities, Fixed Income, Index Linked and Alternatives restated as now classified under Pooled Investments
**2019-20 Property restated as now classified under Pooled Property Investments

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £1,664m whilst sales totalled £1,176m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2020 £'000	Purchases £'000	Sales £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2021 £'000
Pooled investments	2,045,678	1,625,482	(1,161,308)	(6,896)	0	188,322	2,691,278
Pooled property investments	319,669	38,558	(15,002)	(3,603)	0	(1,579)	338,043
	2,365,347	**1,664,040**	**(1,176,310)**	**(10,499)**	**0**	**186,743**	**3,029,321**
Other investment balances							
Cash deposits	12,215	0	0	0	(839)	0	11,376
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	0	0	0	0	0	0	0
Tax reclaims due	57	0	0	0	490	0	547
Amounts payable for purchases investments	0	0	0	0	0	0	0
	2,377,619	**1,664,040**	**(1,176,310)**	**(10,499)**	**(349)**	**186,743**	**3,041,244**

	Fair value 31/03/2019 £'000	Purchases £'000	Sales £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2020 £'000
Pooled investments *	2,235,913	75,151	(53,890)	(4,493)	0	(207,003)	2,045,678
Pooled property investments **	326,987	16,155	(11,221)	(2,505)	0	(9,747)	319,669
	2,562,900	**91,306**	**(65,111)**	**(6,998)**	**0**	**(216,750)**	**2,365,347**
Other investment balances							
Cash deposits	7,052	0	0	0	5,163	(0)	12,215
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	689	0	0	0	0	(689)	0
Tax reclaims due	207	0	0	0	(150)	0	57
Amounts payable for purchases investments	0	0	0	0	0	0	0
	2,570,848	**91,306**	**(65,111)**	**(6,998)**	**5,013**	**(217,439)**	**2,377,619**

*2019-20 Equities, Fixed Income, Index Linked and Alternatives restated as now classified under Pooled Investments
**2019-20 Property restated as now classified under Pooled Property Investments

11.3 Realised gains and losses

2019-20 £'000		2020-21 £'000
29,725	Pooled investments	465,490
545	Pooled property investments	2,022
30,270		**467,512**

11.4 Geographical analysis of investments

Fair value 31/03/20 £'000	Geographical analysis	Fair value 31/03/21 £'000
1,208,494	UK	1,122,806
179,147	Europe (excl UK)	299,887
573,598	North America	886,212
120,750	Japan	182,072
45,218	Pacific Rim	78,773
234,714	Emerging Markets	342,427
15,698	International pooled funds	51,981
0	EMEA (Europe, Middle East & Africa)	77,086
2,377,619		**3,041,244**

11.5 Fund manager analysis

Market value 31/03/20		Fund manager analysis		Market value 31/03/21
Investments managed by the Wales Pension Partnership				
£'000	**%**		**%**	**£'000**
545,586	22.9	Wales Pension Partnership	40.1	1,221,087
545,586	**22.9**		**40.1**	**1,221,087**
Investments managed outside of the Wales Pension Partnership				
£'000	**%**		**%**	**£'000**
1,500,135	63.1	BlackRock	48.7	1,479,752
296,395	12.5	Schroders	9.9	301,920
35,503	1.5	Partners Group	1.3	38,485
1,832,033	**77.1**		**59.9**	**1,820,157**
2,377,619	**100.0**		**100.0**	**3,041,244**

11.6 Wales Pension Partnership (WPP)

Included in Management Expenses (Table 8) is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangement. The Oversight and Governance costs are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). The underlying manager fees for the Global Credit Fund are not included in this table, these fees are disclosed in the Dyfed Pension Fund Annual Report. Further details on the WPP can be found in the Annual Report.

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2020-21 are below:

Wales Pension Partnership

31/03/20 £'000		31/03/21 £'000
	WPP oversight and governance costs	
70	Running Costs	88
	WPP Investment Management expenses	
2,437	Fund Manager fees	2,928
199	Transaction costs	281
93	Custody Fees	147
2,799		**3,444**

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2021:

	Value as at 31/03/2021 £'000	Proportion of Investment Portfolio %
Wales Pension Partnership Global Growth Fund	962,408	31.63
BlackRock Aquila Life UK Equity Index Fund	518,105	17.03
BlackRock ACS World Low Carbon Tracker Fund	305,992	10.06
Wales Pension Partnership Global Credit Fund	258,679	8.50
BlackRock iShares Emerging Markets Index Fund	252,653	8.30

13 Financial Instruments

13.1 Classification of financial instruments

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

2019-20					2020-21			
Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total		Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Financial assets				
2,045,679	0	0	2,045,677	Pooled investments *	2,691,278	0	0	2,691,278
319,669	0	0	319,669	Pooled property investments **	338,043	0	0	338,043
0	17,164	0	17,164	Cash	0	20,174	0	20,174
57	0	0	57	Other investment balances	547	0	0	547
0	5,437	0	5,437	Debtors	0	3,925	0	3,925
2,365,405	**22,601**	**0**	**2,388,005**		**3,029,868**	**24,099**	**0**	**3,053,967**
				Financial liabilities				
0	0	0	0	Other investment balances	0	0	0	0
0	0	(3,532)	(3,532)	Creditors	0	0	(4,418)	(4,418)
0	**0**	**(3,532)**	**(3,532)**		**0**	**0**	**(4,418)**	**(4,418)**
2,365,405	**22,601**	**(3,532)**	**2,384,473**	**Total**	**3,029,868**	**24,099**	**(4,418)**	**3,049,549**

*2019-20 Equities, Fixed Income, Index Linked and Alternatives restated as now classified under Pooled Investments
**2019-20 Property restated as now classified under Pooled Property Investments

13.2 Net gains and losses on financial instruments

2019-20		2020-21
£'000		£'000
	Financial assets	
(187,169)	Fair value through profit and loss	654,254
(187,169)	**Total Financial assets**	**654,254**
0	**Total Financial liabilities**	**0**
(187,169)	**Total**	**654,254**

13.3 Fair value of financial instruments and liabilities

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

Carrying value 31/03/20 £'000	Fair value 31/03/20 £'000		Carrying value 31/03/21 £'000	Fair value 31/03/21 £'000
		Financial assets		
1,994,998	2,365,404	Fair value through profit and loss	2,483,219	3,029,868
22,601	22,601	Loans and receivables	24,099	24,099
2,017,599	**2,388,005**	**Total financial assets**	**2,507,318**	**3,053,967**
		Financial liabilities		
0	0	Fair value through profit and loss	0	0
(3,532)	(3,532)	Financial liabilities at amortised cost	(4,418)	(4,418)
(3,532)	**(3,532)**	**Total financial liabilities**	**(4,418)**	**(4,418)**
2,014,067	**2,384,473**	**Total**	**2,502,900**	**3,049,549**

13.4 Valuation of financial instruments carried at fair value

The valuation of financial instruments has 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

Financial instruments 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 fixed interest securities, quoted index linked securities and certain unit trusts.

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

Level 2

Financial instruments 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 significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

13.5 Fair value – Basis of valuation

Description of asset	**Valuation hierarchy**	**Basis of valuation**	**Observable and unobservable inputs**	**Key sensitivities affecting the valuations provided**
Cash and Cash Equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled property investments:	Level 1	Unit trust.Uses the bid market price on the final day of the accounting period.	Not required	Not required
Pooled investments: equity funds	Level 2	The' NAV' (net asset value) calculation is based on the market value of the underlying assets	Evaluated price feeds	Not required
Pooled investments: fixed income funds	Level 2	The NAV calculation is based on the market value of the underlying fixed income securities	Evaluated price feeds	Not required
Pooled property funds	Level 3	Fair value is ascertained from periodic valuations provided by those controlling the partnership	Unobservable inputs-price depends on information not publicly available	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Pooled investments: alternatives	Level 3	Fair value is ascertained from periodic valuations provided by asset's fund manager	Unobservable inputs-the fund is exposed to security and other assets that will not have readily assessable market values	Valuations may rely on internal and external pricing models. May also be affected by changes in accounting standard, policies or practices

13.5 (continued from previous page)

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	10,005	2,606,964	412,899	3,029,868
Loans and receivables	24,099	0	0	24,099
Total financial assets	**34,104**	**2,606,964**	**412,899**	**3,053,967**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(4,418)	0	0	(4,418)
Total financial liabilities	**(4,418)**	**0**	**0**	**(4,418)**
Net financial assets	**29,686**	**2,606,964**	**412,899**	**3,049,549**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2020 *	**Level 1 ***	**Level 2 ***	**Level 3 ***	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	325	1,992,478	372,601	2,365,404
Loans and receivables	22,601	0	0	22,601
Total financial assets	**22,926**	**1,992,478**	**372,601**	**2,388,005**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(3,532)	0	0	(3,532)
Total financial liabilities	**(3,532)**	**0**	**0**	**(3,532)**
Net financial assets	**19,394**	**1,992,478**	**372,601**	**2,384,473**

*2019-20 restated due to movement of assets between levels

13.6 Reconciliation of fair value measurements within level 3

2020-21

Asset Type	Market Value 01 April 2020 £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2021 £'000
Alternatives *	53,199	32,669	0	(1,554)	0	84,314
Pooled property investments	319,402	22,095	(7,575)	(7,351)	2,015	328,585
Total	**372,601**	**54,764**	**(7,575)**	**(8,905)**	**2,015**	**412,899**

*Alternatives were moved to Level 3 in 2020-21 therefore 2019-20 has been restated

13.7 Transfers between levels 1 and 2

There were transfers between levels 1 and 2 investments in 2020-21. Subject to a review, all BlackRock equity pooled investment funds were moved to Level 2

14 Nature and extent of risks arising from financial instruments

14.1 Risk and risk management

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website - www.dyfedpensionfund.org.uk

The Fund's 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 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 Authority 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 Committee. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

14.2 Market risk

Market risk is the risk of loss from fluctuations in equity prices and interest and foreign exchange rates. 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, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its independent investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments
- By investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing

14.3 Other price risk

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 those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

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

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

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Committee to ensure it is within limits specified in the Fund's investment strategy.

14.4 Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

Asset Type	Potential market movements (+/-)
Equity	15.30%
Bonds	6.30%
Alternatives	3.80%
Property	2.20%
Cash	0.80%

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

Asset Type	Value as at 31 March 2021	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Cash	11,376	0.80%	11,467	11,285
UK Equities	518,289	15.30%	597,587	438,991
Overseas Equities	806,416	15.30%	929,797	683,034
Global Pooled Equities inc UK	962,408	15.30%	1,109,657	815,160
Alternatives	84,314	3.80%	87,518	81,110
Bonds	319,851	6.30%	340,001	299,700
Property	338,043	2.20%	345,480	330,606
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	547	0.00%	547	547
Total Assets	**3,041,244**		**3,422,054**	**2,660,433**

Asset Type	Value as at 31 March 2020	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Cash	12,215	1.00%	12,337	12,093
UK Equities	424,727	13.20%	480,791	368,663
Overseas Equities	642,005	13.20%	726,749	557,260
Global Pooled Equities inc UK	545,586	13.20%	617,603	473,568
Alternatives	53,198	13.20%	60,220	46,176
UK Corporate Bonds	272,772	6.70%	291,048	254,496
Index Linked Gilts	107,390	8.50%	116,518	98,262
Property	319,669	2.80%	328,620	310,718
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	57	0.00%	57	57
Total Assets	**2,377,619**		**2,633,943**	**2,121,293**

14.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at 31 March 2021	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Alternatives	84,314	3.80%	87,518	81,110
Pooled Investment Property	328,585	2.20%	335,814	321,356
Total Level 3 Assets	**412,899**		**423,332**	**402,466**

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

The Fund's interest rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

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

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2021 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/20 £'000	Asset type	31/03/21 £'000
12,215	Cash and cash equivalents	11,376
4,949	Cash held at CCC	8,798
380,162	Bonds	319,851
397,326	**Total**	**340,025**

14.6 Interest rate risk sensitivity analysis

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

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:

Asset type	**Value as at 31/03/21**	**Change in year in the net assets available to pay benefits**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	11,376	114	(114)
Cash held at CCC	8,798	88	(88)
Bonds	319,851	3,199	(3,199)
Total change in available assets	**340,025**	**3,401**	**(3,401)**

Asset type	**Value as at 31/03/20**	**Change in year in the net assets available to pay benefits**	
		+1%	**-1%**
	£'000	**£'000**	**£'000**
Cash and cash equivalents	12,215	122	(122)
Cash held at CCC	4,949	49	(49)
Bonds	380,162	3,802	(3,802)
Total change in available assets	**397,326**	**3,973**	**(3,973)**

14.7 Discount Rate

Estimation of the net liability to pay pensions depends on a number of 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 fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

14.8 Currency risk

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

The Fund's currency rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2020 and as at 31 March 2021:

Fair value 31/03/20 £'000	Asset type	Fair value 31/03/21 £'000
1,143,481	Overseas pooled investments	1,878,163
25,578	Overseas pooled property investments	40,276
66	Cash	0
1,169,125	**Total overseas assets**	**1,918,439**

14.9 Currency risk sensitivity analysis

The aggregate currency risk within the Fund as at 31 March 2021 was 6.80% (2019-20: 7.40%).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.80% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	Fair value 31/03/21	Change in year in the net assets available to pay benefits	
		+6.80%	-6.80%
	£'000	£'000	£'000
Overseas pooled investments	1,878,163	127,715	(127,715)
Overseas pooled property investments	40,276	2,739	(2,739)
Cash	0	0	0
Total change in available assets	**1,918,439**	**130,454**	**(130,454)**

Asset type	Fair value 31/03/20	Change in year in the net assets available to pay benefits	
		+7.40%	-7.40%
	£'000	£'000	£'000
Overseas pooled investments	1,143,481	84,618	(84,618)
Overseas pooled property investments	25,578	1,893	(1,893)
Cash	66	5	(5)
Total change in available assets	**1,169,125**	**86,516**	**(86,516)**

14.10 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

All investments held by investment managers are held in the name of the Dyfed Pension Fund at the custodian – Northern Trust, so if the investment manager fails the Fund's investments are not classed amongst the manager's assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

14.11 Liquidity risk

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

15 Current assets

31/03/20 £'000		31/03/21 £'000
	Contributions due from employer	
2,428	- Employer	1,784
1,696	- Employee	1,771
4,949	Cash Balances	8,798
1,313	Debtors	370
10,386		**12,723**

15.1 Analysis of Current assets

31/03/20 £'000		31/03/21 £'000
3	HMRC	0
8,021	Local authorities	11,462
1	NHS bodies	1
1,117	Public corporations and trading funds	0
1,244	Other entities and individuals	1,260
10,386		**12,723**

16 Current liabilities

31/03/20 £'000		31/03/21 £'000
(1,884)	Unpaid benefits	(2,975)
(1,648)	Creditors	(1,443)
(3,532)		**(4,418)**

16.1 Analysis of Current liabilities

31/03/20 £'000		31/03/21 £'000
(689)	HMRC	(680)
(35)	Local authorities	0
(606)	Public corporations and trading funds	(367)
(2,202)	Other entities and individuals	(3,371)
(3,532)		**(4,418)**

17 Additional Voluntary Contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and UTMOST (previously Equitable Life), where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value of these investments as at the balance sheet date are shown below:

AVC Provider	Value as at 31/03/20 £ '000 Restated	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/21 £ '000
Prudential**	6,276	0	0	0	6,276
UTMOST*	497	7	(105)	32	431
Standard Life	2,797	340	(382)	252	3,007
Total	**9,570**	**347**	**(487)**	**284**	**9,714**

* UTMOST Value as at 31/03/20 restated.
****** Prudential 2020-21 figures not yet available

18 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2020-21.

19 Related Party Transactions

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £1.154 million (2019-2020: £1.108 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £36.295 million to the Fund in 2020-2021 (2019-2020: £35.015 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2021, the Fund had an average investment balance of £26.18 million (2019-2020: £18.64 million) earning interest of £47,300 (2019-2020: £140,466).

19.1 Governance

Pension Committee

There are three members and one substitute member of the Pension Committee. During 2020-21 these were Councillor Elwyn Williams, Councillor Deryk Cundy (active member), Councillor Jim Jones and the substitute was Councillor Dai Thomas (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

The Committee members and the Senior Officers that advise the Committee are required to declare their interest at each meeting. The Committee members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

A Pension Board was approved by County Council on the 11th February 2015 effective from 1st April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2020-21.

19.2 Key Management Personnel

The key management personnel of the fund is the Section 151 Officer. Total remuneration payable to key management personnel is set out below:

31/03/20 £'000		31/03/21 £'000
14	Short-term benefits	15
3	Post-employment benefits	4
17		**19**

20 Employing bodies contribution rates, contributions receivable and benefits payable

2019-20					2020-21			
Contri-bution rate %	Deficit/ (Surplus) Contri-bution £'000	Contri-butions £'000	Benefits payable £'000		Contri-bution rate %	Deficit/ (Surplus) Contri-bution £'000	Contri-butions £'000	Benefits payable £'000
				Scheduled bodies				
15.1	2,720	32,295	37,661	Carmarthenshire County Council	19.9	(2,594)	38,888	38,134
15.6	889	18,210	19,553	Pembrokeshire County Council	19.8	(1,988)	21,868	19,803
15.3	241	11,799	13,417	Ceredigion County Council	20.1	(2,149)	13,838	12,884
13.5	93	4,875	3,100	Office for the Police & Crime Commissioner for Dyfed-Powys	17.8	(6)	6,287	3,116
14.1	76	1,346	1,194	Mid & West Wales Fire Authority	18.1	(188)	1,667	1,511
16.2	0	402	509	Coleg Ceredigion	16.2	0	276	291
16.1	117	1,628	1,005	Coleg Sir Gar	16.1	122	1,619	1,143
15.8	(87)	667	910	Pembrokeshire Coast National Park Authority	15.8	(90)	717	879
15.0	87	1,129	551	Pembrokeshire College	15.0	90	1,208	385
	4,136	72,351	77,900			(6,803)	86,368	78,146
				Designated (Resolution) bodies				
23.0	0	16	13	Aberystwyth Town Council	23.0	0	13	13
24.9	0	0	0	Aberaeron Town Council	0.0	0	0	0
17.9	18	80	99	Carmarthen Town Council	17.9	18	69	112
21.6	0	33	0	Cwmamman Town Council	21.6	0	37	0
21.7	0	14	0	Llanedi Community Council	21.7	0	16	0
24.0	1	6	4	Gorslas Community Council	24.0	1	6	4
-	0	12	32	Haverfordwest Town Council	-	0	12	43
27.6	10	15	12	Kidwelly Town Council	27.6	10	15	12
20.7	0	2	1	Llanbadarn Fawr Community Council	20.7	0	2	1
24.9	0	0	1	Llanarthne Community Council	0.0	0	0	1
15.9	6	213	214	Llanelli Rural Council	15.9	6	219	241
19.1	7	62	104	Llanelli Town Council	19.1	8	64	111
15.9	0	9	0	Llangennech Community Council	15.9	0	8	0
19.5	5	34	12	Llannon Community Council	19.5	5	54	17
19.6	(2)	53	42	Pembrey & Burry Port Town Council	19.6	(2)	68	66
16.3	(2)	10	19	Tenby Town Council	16.3	(2)	11	12
16.6	1	14	0	Pembroke Town Council	16.6	1	14	0
13.5	1	10	0	Pembroke Dock Town Council	13.5	1	11	0
	45	583	553			46	619	633

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2019-20 Contribution rate %	2019-20 Deficit/(Surplus) Contribution £'000	2019-20 Contributions £'000	2019-20 Benefits payable £'000		2020-21 Contribution rate %	2020-21 Deficit/(Surplus) Contribution £'000	2020-21 Contributions £'000	2020-21 Benefits payable £'000
				Admission bodies				
				Community Admission Body (CAB)				
17.9	12	46	24	Ceredigion Association of Voluntary Org.	17.9	12	46	31
15.1	(21)	932	1,126	Careers Wales	15.1	(22)	992	1,177
17.0	10	29	35	Carmarthenshire Assoc. of Voluntary Services	17.0	11	31	35
27.6	(9)	13	118	Carmarthenshire Federation of Young Farmers	27.6	0	2	14
15.9	2	13	41	Iaith Cyf	15.9	2	12	42
23.3	5	3	16	Leonard Cheshire Disability	23.3	5	3	16
0.0	0	0	38	Llanelli Burial Board	0.0	0	0	39
11.7	11	72	11	Menter Bro Dinefwr	11.7	11	68	11
10.5	30	36	32	Menter Cwm Gwendraeth	10.5	31	32	33
10.8	1	55	0	Menter Gorllewin Sir Gar	10.8	1	62	0
7.4	(2)	12	10	Menter Iaith Castell-Nedd Port Talbot	7.4	(2)	12	10
19.3	(3)	4	10	Narberth & District Community & Sports Assoc.	19.3	0	1	10
20.1	1	61	56	Pembrokeshire Assoc. of Voluntary Services	20.1	1	58	100
13.7	5	82	27	PLANED	13.7	5	93	68
15.8	(6)	253	220	Tai Ceredigion/Barcud	15.8	(6)	402	188
18.4	74	659	669	University of Wales-Trinity St David	18.4	77	540	587
22.3	86	11	214	Aberystwyth University	22.3	90	11	229
14.7	(24)	236	413	Books Council of Wales	14.7	(25)	368	473
14.8	5	31	41	West Wales Action for Mental Health	14.8	6	25	61
15.8	(3)	29	75	Valuation Tribunal Wales	15.8	(4)	19	75
14.2	1	6	0	Swim Narberth	14.2	1	1	0
	175	2,583	3,176			194	2,778	3,199
				Transferee Admission Body (TAB)				
19.3	0	17	38	Pobl Group	19.3	0	18	64
26.6	0	0	14	DANFO	0.0	0	0	14
15.3	0	398	4	Llesiant Delta Wellbeing	15.3	0	627	24
21.2	(7)	65	122	Human Support Group (HSG)	0.0	0	3	77
0.0	0	0	0	Compass Contract Services Ltd	23.6	0	26	5
0.0	0	0	0	Burry Port Marina Ltd	22.2	0	9	0
0.0	0	0	0	Visit Pembrokeshire	23.4	0	5	0
	(7)	480	178			0	688	184

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Contri-bution rate %	Deficit/ (Surplus) Contri-bution £'000	Contri-butions £'000	Benefits payable £'000		Contri-bution rate %	Deficit/ (Surplus) Contri-bution £'000	Contri-butions £'000	Benefits payable £'000
				Bodies with no pensionable employees				
0.0	0	6	7	DVLA	0.0	0	6	7
0.0	0	0	13	Cardigan Swimming Pool	0.0	0	24	13
0.0	0	0	41	PRISM	0.0	0	64	110
0.0	0	52	320	Dyfed Powys Magistrates Courts	0.0	0	53	325
0.0	0	1	7	Carmarthen Family Centre	0.0	0	1	7
0.0	0	2	4	Milford Haven Town Council	0.0	0	2	4
0.0	0	0	2	Mencap	0.0	0	0	2
0.0	0	0	7,527	Dyfed County Council	0.0	0	0	7,112
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	7	7	NHS	0.0	0	7	8
0.0	0	4	16	Welsh Water	0.0	0	4	16
0.0	0	0	7	Cwm Environmental	0.0	0	0	7
0.0	0	0	5	Cartrefi Cymru	0.0	0	0	6
0.0	0	2	2	Rent Officer Service	0.0	0	2	2
	0	74	7,960			0	163	7,621
	4,349	**76,071**	**89,767**	**Total**		**(6,563)**	**90,616**	**89,783**

20.1 Bodies with No Pensionable Employees where pension increase is recharged

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

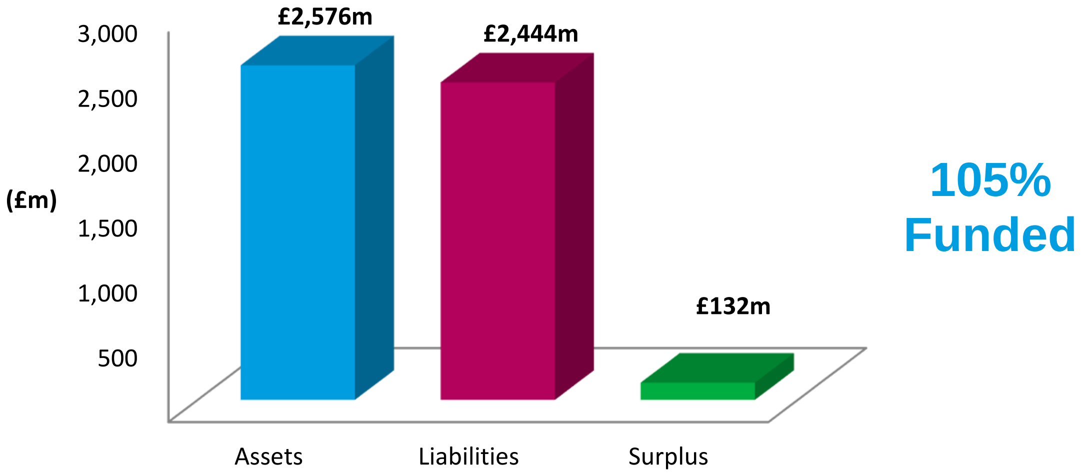
	Proportion to be recharged %
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Dwr Cymru Welsh Water	50

21 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £2,576 million represented 105% of the Fund's past service liabilities of £2,444 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 18.3% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 14 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an offset of approximately £3m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.1% per annum	4.65% per annum
Rate of pay increases (long term)	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £28 million and an increase in the Primary Contribution rate of 1.1% of Pensionable Pay per annum. Provision for these costs has been included within the secondary rate for all employers (and also within the whole Fund average Secondary rate of £3 million per annum offset shown above).

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited as a general rule but the Administering Authority has consulted on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 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 IAS 19 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 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.6% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

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 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a.). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £3,447 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£82 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£53 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £573 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £4,155 million.

GMP Indexation

The public service schemes are were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Clive Lewis
Fellow of the Institute and
Faculty of Actuaries

Laura Evans
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
July 2021

Dyfed Pension Fund Pension Board

Friday, 16 April 2021

PRESENT: John Jones (Chair);

Committee Members:
Mr Gwyn Jones - Member Representative;
Mr Paul Ashley-Jones - Employer Member Representative;
Cllr Philip Hughes - Employer Member Representative;
Cllr Gareth Lloyd - Employer Member Representative;
Mr Tommy Bowler - Union Member Representative;

Also present as an observer:
Cllr. D.E. Williams, Chair of the Dyfed Pension Fund Committee

The following Officers were in attendance:
R. Hemingway, Head of Financial Services
A. Parnell, Treasury & Pension Investments Manager
K. Gerard, Pensions Manager
M. Evans Thomas, Principal Democratic Services Officer
M. Owens, Assistant Accountant
S. Rees, Simultaneous Translator
J. Corner, Technical Officer
M.S. Davies, Democratic Services Officer
E. Bryer, Democratic Services Officer

Virtual Meeting - 10.00 - 11.45 am

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Mr Mike Rogers (Pensioner Member Representative).

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest made at the meeting.

3. MINUTES OF THE PENSION BOARD MEETING HELD ON THE 17TH FEBRUARY 2021

AGREED that the minutes of the meeting for the Pension Board held on the 17th February 2021 be confirmed as a correct record.

4. DYFED PENSION FUND COMMITTEE 25TH MARCH 2021

The Board received for consideration the following reports which had been considered by the Dyfed Pension Fund Committee at its meeting held on the 25th March 2021.

4.1. PENSION BOARD MINUTES 20TH NOVEMBER 2020

The Board noted the minutes of the Dyfed Pension Board meeting held on 20th November, 2020 had been received by the Dyfed Pension Fund Committee.

4.2. AUDIT PLAN 2021

The Board considered the Dyfed Pension Fund Budget Audit Plan which set out the proposed scope, when to be undertaken, cost and responsibilities.

In response to a question regarding the timing of the preparation of accounts, it was confirmed that expected delivery was the end of July 2021 in line with the Annual Report. The accounts would be submitted to the Governance & Audit Committee for approval in October 2021.

AGREED that the report be noted.

4.3. BUDGET MONITORING - 1ST APRIL 2020 TO 31ST DECEMBER 2020

The Board considered the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the period 1st April 2020 – 31st December 2020.

It was asked if research and planning had been undertaken into the impact of long COVID-19 on the pension scheme. The Board was advised that to date only COVID-19 deaths had been monitored and that the impact of long COVID-19 hadn't filtered through yet.

AGREED that the report be noted.

4.4. DYFED PENSION FUND BUDGET 2021-2022

The Board considered the Dyfed Pension Fund Budget for 2021-22. It was noted that the cash related expenditure for 2021-22 had been set at £104.3m and the cash related income at £104.3m, resulting in a net budget of £0 which provided the Fund with flexibility to utilise investment income based on cash flow requirements.

AGREED that the Budget for 2021-22 be noted.

4.5. CASH RECONCILIATION AS AT 31 JANUARY 2021

The Board considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund. It was noted that, as at 31 January 2021, £14m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

The Board questioned the negative difference between the payments made and contributions received. It was acknowledged that this was a challenge for the Fund but that investment income received covered the shortfall.

AGREED that the report be noted.

4.6. PENSIONS ADMINISTRATION REPORT

The Board received a report providing an update on Pensions Administration. The report included updates on the activities within the Pensions administration service and included regulatory matters, employer cessation, breaches register, i-Connect, Data Quality reports, GMP reconciliation and workflows.

The Board expressed concern regarding the potential number of cases that would require intervention. It was advised that following the software update a review of the resources required would be undertaken.

The Board acknowledge that this was a positive report and complimented everyone involved.

AGREED that the report be noted.

4.7. BREACHES REPORT 2020-2021

The Board received for consideration the Breaches Report in relation to the Dyfed Pension Fund. It was noted that Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Code of Practice No. 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provide guidance on reporting these breaches.

The Board asked if it would be feasible to include an additional column in the report to indicate the status of the breach so that it would be clear if the matter had been resolved or was still on-going. It was advised that this could be considered.

The Board noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time. Those had now been received so no report had been sent to the Pensions Regulator.

AGREED that the Breaches Report in relation to the Dyfed Pension Fund be noted.

4.8. RISK REGISTER 2021-2022

The Board was advised that the Risk Register was a working document that highlighted all the risks identified in relation to the functions of the Dyfed Pension Fund. It was advised that the risk register for 2021-2022 had been reviewed to ensure risks had been identified and assessed.

The issue of not being able to quickly identify changes from previous reports was raised again. It was advised that for future reports the header information currently provided to the Dyfed Pension Board Committee would also be included for the Board.

Agreed that the risk register report for 2021-2022 be noted.

4.9. GOVERNANCE POLICY AND COMPLIANCE STATEMENT 2021

The Board received the revised Governance Policy and Compliance Statement. A review had been undertaken on the Governance Policy and Compliance Statement of the Dyfed Pension Fund. The Governance Policy detailed arrangements in relation to:

- The Governance of the Fund
- Terms of Reference for the Pension Committee
- Delegation to the Director of Corporate Services and Head of Financial Services
- Committee meetings
- The Annual Consultative Meeting
- The Pension Board

The Compliance Statement set out the Fund’s compliance with best practice principles in relation to structure, representation, selection, voting, training, meetings, access, scope and publicity.

It was asked if consideration had been given to limiting the number of years a Chair could be in appointment for. The Treasury & Pension Investments Manager advised that he would take forward for future discussions with the S151 officer and Democratic Services.

The Board suggested that the Pension Board section of the Governance Policy should reference that the Chair of the Pension Committee attends the Pension Board meetings and that the Board has authority (if necessary) to report to the committee.

AGREED that the report be noted.

4.10. BUSINESS PLAN 2021-2022

The Board received the Wales Pension Partnership Business Plan for the period 2021-2022 detailing how the Fund was to achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

AGREED to note the Wales Pension Partnership Business Plan for the period 2021-22.

4.11. TRAINING PLAN 2021-2022

The Board received the Wales Pension Partnership Training Plan for the period 2021-2022 detailing meetings, training events and the members and officers anticipated to attend the events.

AGREED that the Wales Pension Partnership Training Plan for the period 2021-22 be noted.

4.12. WALES PENSION PARTNERSHIP (WPP) LINK AND RUSSELL UPDATE

The Board received an update report on the Wales Pension Partnership (WPP), on the milestones and progress of both the following Sub Funds together with the Engagement Protocol and the key meeting dates:-

- Tranche 3 – Fixed Income
- Tranche 4 – Emerging Markets
- Tranche 5 – Private Markets Strategy Development

The Committee noted the current Global Growth equity sub fund totalled £2.89bn and the Global Credit Fund £796m.

AGREED that the Wales Pension Partnership Link and Russell Update be noted.

4.13. DRAFT MINUTES OF THE PENSION COMMITTEE MEETING 25TH MARCH 2021

AGREED that the draft minutes of the meeting of the Dyfed Pension Fund Committee held on the 25th March 2021 be noted.

5. PENSION BOARD WORKPLAN 2021

The Board considered the Pension Board Workplan for 2021 which outlined the work of the Pension Board throughout 2021 and the items to be presented at each meeting.

It was asked that at a future meeting a report on the comparative costs of the Fund be included.

AGREED to note the workplan for 2021.

6. PENSION BOARD BUDGET MONITORING 1 APRIL 2020 - 31 MARCH 2021

The Board received the final Pension Board Budget Monitoring report and considered the budgetary position as at 31 March 2021.

The final position as at 31 March 2021 was an under spend compared to budget of £3,543.

The fee for the Chair exceeded the budget by £917 as the contract was extended and the fee was increased based on this extension. Training costs was underspent by £3,580 as the majority of training events attended by Board members were online and with no charge. There was no expenditure in relation to travel, subsistence or miscellaneous expenses due to COVID-19.

The liability insurance premium exceeded budget by £1,120. Insurance market rates had increased by approximately 20% over the last year.

RESOLVED to receive Pension Board Budget Monitoring 1 April 2020 – 31 March 2021.

7. EXCLUSION OF THE PUBLIC

RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

8. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT AT 31 DECEMBER 2020

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board received the Independent Investment Adviser Performance and Risk Report that provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3-year period ending 31 December 2020 together with the global market background and issues for consideration.

RESOLVED that the Independent Investment Adviser Report as at 31 December 2020 be noted.

9. NORTHERN TRUST PERFORMANCE REPORT 31 DECEMBER 2020

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board received the Northern Trust Performance report for the Dyfed Pension Fund as at 31 December 2020, which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 31 December 2020 be noted.

10. INVESTMENT MANAGER REPORTS TO 31 DECEMBER 2020

The Board received for consideration the following reports which had been considered by the Dyfed Pension Fund Committee at its meeting held on the 25th March 2021.

10.1. BLACKROCK

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board duly received the Investment Manager Briefing - BlackRock report for the Dyfed Pension Fund as at 31 December 2020, which provided portfolio update, investment pipeline, sustainable investing and portfolio holdings updates.

RESOLVED that the Investment Manager Briefing - BlackRock report for the Dyfed Pension Fund as at 31 December 2020 be noted.

10.2. SCHRODERS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the Schroders – Q4 2020 Investment Report which set out the performance as at 31 December 2020.

AGREED to note the report.

10.3. PARTNERS GROUP

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the Partners Group – Quarterly Financials October to December 2020 report which set out the performance as at 31 December 2020.

AGREED to note the report.

10.4. WALES PENSION PARTNERSHIP - GLOBAL GROWTH FUND

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the WPP Global Growth Fund – 31 December 2020 report which set out the performance as at 31 December 2020.

AGREED to note the report.

10.5. WALES PENSION PARTNERSHIP - GLOBAL CREDIT FUND

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the WPP Global Credit Fund – 31 December 2020 report which set out the performance as at 31 December 2020.

AGREED to note the report.

11. INVESTMENT MANAGER BRIEFING - BLACKROCK

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the BlackRock investment manager briefing as at 31 December 2020. The Briefing included:

- Portfolio update
- Investment Pipeline
- Sustainable investing update
- Portfolio holdings

AGREED to note the briefing.

12. EQUITY RESTRUCTURE PRE-TRANSITION ANALYSIS

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 7 above, to consider this matter in private, with the public excluded from the meeting as disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the Pre-Transition Report which covered the following areas:

- Transition Approach and Portfolio Analysis
- Transaction Timeline

- Transition Benchmark and Trading Strategy
- Cost and Risk Analysis
- Other Considerations

AGREED to note the report.

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CHAIR **DATE**

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Dyfed Pension Fund

Budget Monitoring

1st April 2021 - 30th June 2021

	Budget Type	Actual 2020-2021	Budget 2021-2022	Total income/ expenditure to date	Forecast Commitments	Forecast 2021-2022	End of year variance		Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%	
Expenditure									
Benefits Payable	Both	**89,783**	**92,363**	**24,778**	**66,386**	**91,164**	**-1,199**	**-1.3**	3% included at budget setting for new pensioners, actual increase year to date is 1.75%
Pensions Payable	Controllable	75,112	78,863	19,075	58,589	77,664	-1,199		
Commutation and lump sum retirement benefits	Non Controllable	11,724	12,000	5,529	6,471	12,000	0		
Lump sum death benefits	Non Controllable	2,947	1,500	174	1,326	1,500	0		
Payments to and account of leavers	Non Controllable	**3,596**	**3,120**	**2,176**	**944**	**3,120**	**0**	**0.0**	
Management Expenses		**7,967**	**8,829**	**2,825**	**5,687**	**8,512**	**-317**	**-3.6**	
Computer Software	Controllable	366	383	2	381	383	0		
Printing charges	Controllable	13	20	7	13	20	0		
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	53	70	19	47	66	-4		
Fund Managers									
BlackRock	Controllable	1,345	1,300	123	914	1,037	-263		Market value lower than budgeted
Schroders	Controllable	693	580	141	439	580	0		
Wales Pension Partnership	Controllable	3,272	4,030	1,024	3,006	4,030	0		
Partners Group	Controllable	825	950	195	705	900	-50		Market value lower than budgeted
Custodian									
Northern Trust	Controllable	39	31	8	23	31	0		
Actuary									
Mercer	Controllable	93	100	49	51	100	0		
Performance Manager									
Northern Trust / PIRC / CEM	Controllable	14	26	0	26	26	0		
Independent Advisor	Controllable	28	30	0	30	30	0		
Other									
Europlan, LSE, Pension Board	Controllable	44	27	0	27	27	0		
Central recharges	Non Controllable	1,154	1,254	1,254	0	1,254	0		
Audit fees	Controllable	28	28	3	25	28	0		
Controllable Expenditure		**81,925**	**86,438**	**20,650**	**64,276**	**84,925**	**-1,515**		
Non Controllable Expenditure		**19,421**	**17,874**	**9,133**	**8,740**	**17,873**	**0**		
Total Expenditure		**101,346**	**104,312**	**29,783**	**73,016**	**102,798**	**-1,515**		
Income									
Contributions									
Employer	Controllable	**-62,455**	**-66,893**	**-21,895**	**-44,165**	**-66,060**	**833**	**-1.2**	Advance payments made resulting in discounted contributions; Carms CC, Ceredigion CC, Pembs CC and Dyfed Powys Police in 2021-22.
Member	Controllable	**-21,599**	**-22,121**	**-3,773**	**-18,697**	**-22,470**	**-349**	**1.6**	Employee pensionable pay highter than anticipated at budget setting.
Investment Income	Controllable	**-13,259**	**-12,298**	**-2,955**	**-10,363**	**-13,318**	**-1,020**	**8.3**	Schroders dividend income higher than budgeted.
Other Income	Controllable	**0**	**0**	**0**	**0**	**0**	**0**	**0.0**	
Transfers in from other pension funds	Non Controllable	**-3,196**	**-3,000**	**-1,407**	**-1,593**	**-3,000**	**0**	**0.0**	
Controllable Income		**-97,313**	**-101,312**	**-28,623**	**-73,225**	**-101,848**	**-536**		
Non Controllable Income		**-3,196**	**-3,000**	**-1,407**	**-1,593**	**-3,000**	**0**		
Total Income		**-100,509**	**-104,312**	**-30,030**	**-74,818**	**-104,848**	**-536**		
Controllable Total		**-15,388**	**-14,874**	**-7,973**	**-8,950**	**-16,923**	**-2,051**		
Non Controllable Total		**16,225**	**14,874**	**7,726**	**7,147**	**14,873**	**0**		
Total		**837**	**0**	**-247**	**-1,803**	**-2,050**	**-2,051**		
Cash Transfer to Fund Managers	Cash	**0**	**0**	**24,078**	**0**	**24,078**	**24,078**		
Net Total of Cash Related Items		**837**	**0**	**23,831**	**-1,803**	**22,028**	**22,027**		
Indirect Transactional Management Fees	Non Cash	**6,662**	**3,500**	**0**	**3,500**	**3,500**	**0**	**0.0**	CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds
Investment Income	Non Cash	**-6,662**	**-3,500**	**0**	**-3,500**	**-3,500**	**0**	**0.0**	Contra entry to the Indirect transactional fees
Realised gain/loss	Non Cash	**-467,512**	**-50,000**	**0**	**-5,109**	**-5,109**	**44,891**	**-89.8**	Non Controllable, no impact to cash.
Net Total of Non-Cash Related Items		**-467,512**	**-50,000**	**0**	**-5,109**	**-5,109**	**44,891**		

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Item 4.5

Dyfed Pension Fund Cash Reconciliation		**June 2021**
Balance b/f 1st April 2021		£8,305,835.28
Investment trades		
Sales	70,795,915.77	
Purchases	-98,499,022.77	
		-£27,703,107.00
Contributions received	£44,996,499.50	
Payments made	-£21,509,683.32	
Dividend Income	£6,585,537.07	£30,072,353.25
		£10,675,081.53
Total Available for Investment		**£10,675,081.53**
Represented by :		
Cash at Carmarthenshire		£11,057,402.78
Cash due to be received/deducted		£0.00
CCC Debtors		£262,922.78
CCC Creditors		-£645,244.03
		£10,675,081.53
		£0.00

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Dyfed Pension Fund Investment Strategy Statement 2021

1. Introduction

This is the Investment Strategy Statement (the “Statement”) of Dyfed Pension Fund (the “Fund”) as required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”).

The regulations require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The ISS is an important governance tool for the Fund. The document sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund’s investments are managed, acts as a high level risk register, and has been designed to be informative for all stakeholders. This document replaces the Fund’s Statement of Investment Principles.

In preparing this Statement, the Fund has consulted with such persons as it considers appropriate and the document will be updated based on any factors that the Fund considers material to its liabilities, finances or attitude to risk.
This statement will be reviewed at least triennially or more frequently if appropriate

2. Investment Objectives and Beliefs

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

The Funding Strategy and Investment Strategy are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time.

The investment objective is therefore to **maximise returns subject to an acceptable level of risk (including climate and other ESG risks) whilst increasing certainty of cost for employers, and minimising the long term cost** of the scheme. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund’s investment beliefs which help to inform the investment strategy are as follows:

- Funding, investment strategy and contribution rates are linked
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund’s investments
- Effective governance structures, which promote decisiveness, efficiency and accountability, can add value to the Fund.
- Investing over the long term provides opportunities to improve returns and allows the Fund to take some risks (eg. volatility, illiquidity) which might not otherwise be acceptable.

- Diversification across and within asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to take the appropriate level of risk, to achieve the Fund's objectives
- Environmental, Social and Governance are important factors for the sustainability of investment returns and risks over the long term. Climate change (UN SDG 13), in particular, has the potential materially to impact the returns and risk profile of various assets. The committee believes that adjusting its investment allocations and engagement with investee companies can both help to achieve its responsible investment goals.
- Stewardship is an important responsibility and one which can be delegated. Engaging with investee companies is an important part of this, and is likely to be more effective than divestment in improving desired outcomes.
- Value for money from investments is important, not just absolute costs. Asset pooling will help reduce costs whilst providing more choice of investments and will therefore be additive to Fund returns
- Active management can add value to returns over the long term.

3. Investment Strategy

Asset Classes

Translating the Fund's investment and funding objectives into a single suitable investment strategy is challenging. The key objectives often conflict. For example, minimising the long term cost of the scheme is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Additionally, the employers in the Fund have different underlying characteristics and long term funding objectives.

It is the Pension Committee's (the "Committee") policy to regularly monitor, in consultation with the actuary, the likely position regarding the solvency ratio in order that the risk of deterioration of the solvency ratio below 100% is minimised. The Committee may consider amending the Investment Strategy should they be advised at some future stage that this would be the only acceptable route to avoid under funding.

The Committee, following an asset liability study, has set a benchmark mix of asset types and ranges within which the investment managers may operate with discretion. This is shown in **Appendix A**. The Committee believes that this mix of assets will fulfil the assumptions within the valuation undertaken as at 31 March 2019, as well as taking account of the liability profile of the Fund. This mix will also help to control the risks outlined below.

A review of the strategic asset allocation is undertaken every three years following the actuarial valuation and provides the assurance that the investment strategy is aligned to the long term funding plan. This review utilises both qualitative and quantitative analysis, and covers;

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security.

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

4. Risk measurement and management

The Fund assesses risks both qualitatively and quantitatively, with the starting point being the investment strategy review which is undertaken every three years. The Fund's approach to risk is informed by the Committee, its professional advisors and officers of the Fund.

The key risks that the Fund is exposed to can be grouped under the following headings: asset; funding; operational and governance. These risks are identified, measured, monitored and managed on an active basis with the responsibility for oversight from the Treasury & Pension Investments Manager.

These risks are summarised as follows:

Asset Risks

- Concentration – The risk that significant allocation to any single asset class and its underperformance relative to expectation would result in difficulties in achieving funding objectives. Concentration may be mitigated by holding different strategies within an asset class.
- Illiquidity – The risk that the Fund cannot meet its liabilities because it has insufficient liquid assets.
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

To manage asset risks the Committee provides a practical constraint on fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Committee's expected parameters. By investing across a range of assets, including quoted equities and bonds, the Committee has recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Committee has considered the risk of underperformance by any single investment manager.

Funding Risks

- Financial mismatch - The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities and the risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- 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 Fund liabilities.
- Legislation/regulatory - changes in legislation or regulations governing the treatment of pension fund liabilities can have a material impact on funding ratio.

The Committee measures and manages financial mismatch in two ways. It has set a strategic asset allocation benchmark for the Fund and assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.
The asset allocation is rebalanced on a regular basis to ensure that it does not stray outside the ranges for any sustained period.

The Committee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise.

Operational risk

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. The Committee takes professional advice in relation to the monitoring and oversight of any transitions.
- 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.
- Physical climate change risk – the risk that the operations of the Fund or its sponsor entities may be impacted by flood, fire or temperature events.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

Governance Risk

Good governance is an essential part of the Fund's investment strategy and the Fund therefore identifies poor governance as a potential risk that can have a detrimental effect on the funding level and the deficit/surplus. The Fund ensures that its decision making process is robust and transparent and this is documented in the Governance Compliance Statement which is published on the Fund's website.

Environmental, Social and Governance Risks

The Fund's investment strategy includes its own approach on Responsible Investment. Non-compliance would expose the Fund to financial and reputational risk. The Fund believes that effective management of financially material Responsible Investment risks should support the Fund's requirement to protect returns over the long term. The Fund will seek to further integrate Responsible Investment factors into the investment process across all relevant asset classes.

5. Approach to asset pooling

The Fund joined the Wales Pension Partnership (WPP) in 2016 with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability and access to a more diverse range of asset classes. The implementation of the Fund's investment strategy by an FCA regulated provider leads to improved governance, transparency and reporting giving the Fund assurance that its investment strategy is being implemented effectively.

The key criteria for the assessment of WPP's solutions is:

- That the WPP enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- That there is a clear financial benefit to the Fund in investing in the solution offered by the WPP, should a change of provider be necessary.

To date WPP has launched the following sub-funds which the Fund is invested in:

Global Equities – Global Growth Fund.
Fixed Income – Global Credit Fund.

At the time of preparing this statement the Fund had also jointly procured a single passive equity manager for the Wales funds as set out below. These funds currently sit outside of the WPP however the monitoring arrangements will still be carried out collectively on behalf of the WPP.

Asset class	Manager	% of Fund assets	Benchmark and performance objective
Passive Equity Including Low Carbon Fund	BlackRock	35-40	FTSE All-Share and FTSE All-World Indices Benchmark Return MSCI World Low Carbon Target Reduced Fossil Fuel Select Index

The Fund intends to invest the majority of its remaining assets into the WPP once opportunities arise but will maintain some cash balances at the Fund. Investment strategy will be retained by the Fund with advice from all relevant professional advisors.

Structure and governance arrangements of the WPP

The WPP has appointed a third party operator authorised by the FCA (Link Fund Solutions) to provide a series of investment sub-funds in which the assets of the participating funds will be invested.

A Joint Governance Committee (JGC) has been formally established to oversee the operator. The JGC comprises of the eight Chairs of the committees of the participating funds. This arrangement provides accountability for the operator back to individual administering authorities.

It operates on the basis of 'One Fund, One Vote', though the intention is that any decisions are reached by consensus wherever possible.

The JGC is in regular discussions with the operator as to the specific sub-funds which should be set up within the WPP, both at the outset and on an ongoing basis.

Officers from each constituent authority attend JGC meetings (in a non-voting capacity). The officers advise the JGC on the establishment and monitoring of the various sub-funds as well as liaison directly with the operator on any day-to-day investment matters. The members of the JGC report back to their respective individual funds' pension committees who are responsible for satisfying themselves as to the effectiveness of the pooling arrangements overall and the operation of the JGC.

The Pension Board seeks reassurance on aspects of the management of the Fund's investments and external scrutiny. Formal due diligence of the operator and depositary is carried out by the FCA in their role as regulator.

The operator is responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as depositary asset servicer as necessary. Listed bonds and equities are invested through the UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle. It may be that alternative vehicles are more appropriate for some other asset classes. As well as considering the options with the operator, we also take external advice on the final proposed approach from a tax efficiency and legal compliance basis.

Under the structure the depository holds legal title to the assets of the WPP. The operator is responsible for managing and operating the investments of the WPP, including entering into the legal contracts with the investment managers.
The operator provides and operates a range of investment vehicles to allow collective investment by the participating funds. The operator is responsible for selecting and contracting with investment managers for the management of the underlying assets. They are also responsible for the administration of the vehicles in terms of unit pricing, valuation, handling cash flows in and out of the various sub-funds, trade processing and reporting on performance. They are also responsible for due diligence from an audit, legal and tax perspective for the respective sub-funds and for electing a depositary to the WPP.
WPP have appointed Hymans Robertson as oversight adviser, Burges Salmon as legal adviser and Robeco UK as voting and engagement provider.

6. Responsible Investment and the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments

The Fund is a long term investor aiming to deliver a sustainable pension fund for all stakeholders.

Carmarthenshire County Council as the administering authority of the Fund has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members.

Responsible Investment (RI) is a fundamental part of the Fund's overarching investment strategy as set out in this Investment Strategy Statement. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers and minimising the long term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance ("ESG") factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.
The Fund's core principles of responsible investment are:

1. We will apply **long-term thinking** to deliver **long-term sustainable returns**. from **well-governed assets**.
2. We will use an **evidence-based** long term investment appraisal to **inform decision-making** in the implementation of RI principles.
3. we will consider the **costs** of RI decisions consistent with our fiduciary duties.

To date, the Fund's approach to social investments has largely been to delegate this to their underlying investment managers, and WPP in particular as part of their overall ESG duties. The Fund's managers report on this matter as part of the Fund's annual ESG review.

The Committee recognises that the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Climate Change

The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that:

- Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers, and all of the holdings in the Fund's investment portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund but is also consistent with the long term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders. To this end, the Fund is committed to transition its investments towards net zero GHG emissions over the medium term. The Pension Fund will regularly report on progress, including establishing intermediate targets.
- Engagement is the best approach to enabling the change required to address the Climate Emergency. However selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy.
- As well as creating risk, it also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy and energy efficiency products and services.

The Fund also takes account of WPP's Responsible Investment and Climate Risk polices.

7. The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f).

Stewardship

The Committee has agreed in principle that the Fund becomes a signatory to the Stewardship Code as published by the Financial Reporting Council. They also expect both the WPP and any directly appointed fund managers to also comply with the Stewardship Code.

The Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

8. Myners Principles

Although not specifically referenced in the Regulations, the Fund continues to assess its own compliance with the Myners Principles of Good Investment Governance. A statement that sets out an assessment of compliance is presented at **Appendix B**.

9. Advice taken

In creating this statement, the Fund has taken advice from its Officers, its Independent Investment Advisor and its Actuary.

Appendix A

	Benchmark (%)	Range (%)
Equities	65.0	55.0 – 75.0
Fixed Income	10.0	5.0 – 15.0
Property	15.0	10.0 – 20.0
Infrastructure	5.0	3.5 – 6.5
Alternatives	5.0	3.5 – 6.5
TOTAL	**100.0**	

Appendix B - Myners 6 Principles - Compliance Checklist

1.	**Effective Decision-Making**	
	Define who takes investment decisions	Included in ISS
	Consider whether members have sufficient skills	Training - LGC members seminar, LAPFF and PLSA conferences, investment manager and WPP training days, Employer Organisation training days. Training plan in place.
	Determine whether appropriate training is being provided	Training - LGC members seminar, LAPFF and PLSA conferences, investment manager and WPP training days, Employer Organisation training days. Training plan in place.
	Assess whether in-house staffing support is sufficient	Suitably qualified and trained staff. Training plan in place.
	Establish an investment committee with suitable terms of reference	Pension Committee established with terms of reference agreed
	Draw up a business plan	A business plan is published annually. An Actuarial Valuation Report, Investment Strategy Review, Funding Strategy Statement and Investment Strategy Statement are updated and produced every three years.
	Priority is given to strategic asset allocation decisions	Asset / liability study undertaken to determine asset allocation after full discussions.
	All asset classes permitted within the regulations have been considered	All major asset classes have been considered and managers appointed accordingly. Other alternative asset classes continue to be considered.
	Asset allocation is compatible with liabilities and diversification requirement	Asset / liability study undertaken to determine asset allocation after full discussions.
	Separate contracts in place for actuarial services and investment advice	Separate contracts currently in place
	Terms of reference specified	Clear specifications issued
	Specify role of S151 officer in relation to advisers	Section 151 officer role clear in constitution
	Tender procedures followed without cost constraint factor	Tendering for third party service providers will follow local procurement rules
	Overall Principle 1	**Fully compliant**

2.	**Clear Objectives**	
	Set overall investment objective specific only to the fund's liabilities	Customised benchmark following asset - liability study.
	Determine parameters for employer contributions	Clear objectives outlined in ISS
	Specify attitude to risk and limits	Clearly outlined in ISS
	Identify performance expectations and timing of evaluation	Clearly outlined in ISS
	Peer group benchmark in use for comparison purposes only	In Place
	Written mandate included in management contract containing elements specified	Contract has been updated, ISS is clear on these issues
	Constraints on the types of investment are in line with regulations	In Place
	Reasons stated if soft commissions permitted	None used
	Overall Principle 2	**Fully compliant**
3.	**Risk & Liabilities**	
	In setting and reviewing the investment strategy account should be taken of the form and structure of liabilities	Full asset liability study is undertaken following the triennial valuation and prior to setting and reviewing the investment strategy
	The implications for the local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk should also be taken into account	Included in asset liability study and investment strategy
	Overall Principle 3	**Fully compliant**

4.	**Performance Assessment**	
	Consider whether index benchmarks selected are appropriate	Consideration given, and performance measured against both benchmark and market indices
	Limits on divergence from index are relevant	Fully considered and in ISS
	Active or passive management considered	Fully considered and in ISS
	Targets and risk controls reflect performance expectations	Fully considered and in ISS
	Formal structure for regular monitoring in operation	Fund returns regularly reported by independent organisation
	Arrangements in place to assess procedures and decisions of members	Audit and valuation reports. Best Value regime.
	Similar arrangements established for advisers and managers	Regular monitoring/review undertaken by Committee and officers of managers and advisers.
	Overall Principle 4	**Fully compliant**
5.	**Responsible Ownership**	
	Incorporate US Principles on activism into mandates	Custodian reports on corporate actions taken
	Engage external voting agencies if appropriate	Strong Corporate Governance policy in place through investment manager
	Review manager strategies	Own policy is in operation.
	Establish means to measure effectiveness	Regular reporting in place
	Overall Principle 5	**Fully compliant**

6.	**Transparency and Reporting**	
	ISS updated as specified	In place and included in the Annual Report
	Consultation undertaken on amendments	In place and consultation each year.
	Changes notified to stakeholders	In place and included in the Annual Report
	Publish changes to ISS and its availability	In place and included in the Annual Report
	Identify monitoring information to report	In place, included in ISS and reports presented at prescribed intervals
	Inform scheme members of key monitoring data & compliance with principles	In place and included in ISS
	Overall Principle 6	**Fully compliant**

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DYFED PENSION FUND COMMITTEE
Date 08/10/2021

Updated Funding Strategy Statement
To provide the Dyfed Pension Fund Committee with an updated Funding Strategy Statement
Recommendations / key decisions required: The Committee to approve the updated Funding Strategy Statement.
Reasons: To provide the Dyfed Pension Fund Committee with the updated Funding Strategy Statement.
Relevant scrutiny committee to be consulted: NA
Cabinet Decision Required : NA Council Decision Required : NA

CABINET MEMBER PORTFOLIO HOLDER:- NA		
Directorate: Corporate Services Name of Head of Service: Chris Moore Report Author: Chris Moore	Designations: Director of Corporate Services, Carmarthenshire County Council	Tel Nos. 01267 224120 E Mail Address: CMoore@carmarthenshire.gov.uk

Cyngor Sir Gâr
Carmarthenshire County Council

EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
DATE 08/10/2021

Updated Funding Strategy Statement	
The Funding Strategy Statement ("FSS") has been updated to reflect the new employer flexibilities of Debt Spreading Arrangements and Deferred Debt Agreements. The original FSS was approved by Pension Committee on 2 March 2020.	
DETAILED REPORT ATTACHED?	**YES**

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: C Moore Director

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	**YES**	**NONE**	**NONE**	**NONE**	**NONE**	**NONE**

Legal

The FSS is an important investment document for the Dyfed Pension Fund.

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below

Signed: C Moore Director

1. Scrutiny Committee NA

2.Local Member(s) NA

3.Community / Town Council NA

4.Relevant Partners NA

5.Staff Side Representatives and other Organisations NA

CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED NA	

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE

Cyngor Sir Gâr
Carmarthenshire County Council

FUNDING STRATEGY STATEMENT

DYFED PENSION FUND

[APRIL 2021]

Carmarthenshire County Council

This Funding Strategy Statement has been prepared by Carmarthenshire County Council (the Administering Authority) to set out the funding strategy for the Dyfed Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

I

EXECUTIVE SUMMARY

Ensuring that the Dyfed Pension Fund (the “Fund”) has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Carmarthenshire County Council). The funding strategy adopted by the Dyfed Pension Fund will be critical in achieving this.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

> The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Dyfed Pension Fund.
>
> It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Dyfed Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

MEETING THE FUND’S SOLVENCY OBJECTIVE

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if the assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be sufficiently prudent for this objective to be reasonably achieved in the long term at each valuation.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next to meet the primary objectives. This in turn means that contributions will be subject to change from one valuation to another. This objective is considered on an employer specific level when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities.

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would normally lead to volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency objective. The level of prudence has been quantified by the Actuary to provide protection against future adverse experience in the long term. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

LONG TERM COST EFFICIENCY

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency requires that any funding plan must provide equity between different generations of taxpayers. This means that the contributions must not be set at a level that is likely to give rise to additional costs in the future which fall on later generations of taxpayers or put too high a burden on current taxpayers. The funding parameters and assumptions e.g. deficit recovery period must have regard to this requirement which means a level of prudence is needed. Furthermore, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contributions as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

THE MCCLOUD JUDGMENT

The McCloud judgment in the LGPS refers to the legal decisions (initially by the Employment Appeal Tribunal and then ratified by the Court of Appeal) in the Sargeant/McCloud cases for the Fire and Judiciary pension arrangements. The Court ruled that transitional protections afforded to older members when these schemes were amended constituted unlawful age discrimination. Remedial action, in the form of benefit changes for these schemes, will therefore be required.

Although the above cases did not relate directly to the LGPS, the LGPS also put in place protections for older members as part of the reforms which came into effect from 2014. For the LGPS these took the form of an underpin, where older members would get the better of the benefits payable under the new and old schemes. The UK Government confirmed on 15 July 2019 that, alongside the process to remedy the Fire and Judiciary schemes, it will also bring forward proposals to address the issue for the other public service pension schemes, including the LGPS, although it is unclear at this stage what the exact extent will be of any required changes.

In carrying out the 2019 actuarial valuation a provision for the potential costs has been made. In particular it has been assumed that the eventual remedy will be that the underpin which applies to older members will also apply to younger members who joined the Fund before 1 April 2012 (the cut-off date for the protections to apply) in the same way as for older members. For formal presentation purposes, in line with guidance issued by the LGPS Scheme Advisory Board, the whole fund valuation result reported does not include the cost of McCloud. The costs have, however, been included within employer contribution plans.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

The solvency level of the Fund is 105% at the valuation date i.e. there is a small surplus of assets over liabilities (if the effect of the McCloud judgment were to be included then this solvency level would be slightly less, at 104%). However, for many employers in the Fund the funding level will be less than 100% - i.e. their assets within the Fund are less than their liabilities. In these cases, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall. (In a similar manner, where an employer is in surplus it may in certain circumstances be appropriate to reduce the overall contributions payable to reflect this, by way of a "surplus offset".)

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Selected employers may also elect to make prepayments of contributions which could result in cash savings over the period of the valuation certificate.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Full details are set out in this FSS.

Subject to affordability and other considerations, the end point of individual employer recovery plans is expected to be maintained at this valuation, which means that recovery periods will normally be three years shorter than at the 2016 actuarial valuation. The target recovery period for employers at this valuation is therefore 11 years (3 years less than the corresponding target of 14 years from the previous valuation). In practice, individual employer circumstances could cause their recovery period to be different from this.

Over and above this, the Fund is now giving more recognition to the potential liabilities in the event that an employer will exit the Fund at some point. With this in mind, closed employers will normally have their contributions underpinned at existing levels. In addition, any employer in surplus on the ongoing actuarial valuation assumptions will not normally be allowed to use that surplus to offset its future contribution requirements to the Fund. These restrictions will not apply if the body has a surplus on its termination basis: in this event a surplus on the termination basis may be used to offset future contribution requirements.

In order to allow employers time to adjust their budgets, contributions for 2020/21 will normally be maintained at their existing levels, other than for the major scheduled bodies, before moving to the new rates in 2021/22. Where there is a material increase in contributions required at this valuation, in certain circumstances the Fund may agree to the increase being phased in over the period to 2022/23.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in Appendix A to this FSS.

The discount rate in excess of CPI inflation (the “real discount rate”) has been derived based on the expected return on the Fund’s assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year).

The assumption for the long term expected future real returns has fallen since the last valuation. This is principally due to a combination of expectations for the returns on the Fund’s assets and the level of inflation in the long term. The assumption has therefore been adjusted so that in the Actuary’s opinion, when allowing for the resultant employer contributions emerging from the valuation, the Fund can reasonably be expected to meet the Solvency and Long Term Cost Efficiency objectives.

Taking into account the above the Fund Actuary is proposing that the long term real return over CPI inflation assumptions for determining the past service liabilities should be 1.70% per annum and 2.25% per annum for determining the future service (“primary”) contribution rate. This compares to 2.20% per annum and 2.75% per annum respectively at the last valuation.

The demographic assumptions are based on the Fund Actuary’s bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cash flows and allocation of investment returns when deriving each employer’s asset share.

At each review, cash flows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund. In addition, the asset shares may be restated for changes in data or other policies.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund’s practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer’s financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers’ covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the relevant appendix to this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based on the Fund's separately maintained policy. Examples of new employers include:

- Scheme Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

The key objective for the Fund is to only admit employers where the risk to the Fund is mitigated as far as possible.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

<u>The policy for employers who **do not have a guarantor** participating in the Fund:</u>

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a more prudent discount rate linked to corporate bond yields and a more prudent life expectancy assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer following certification by the Actuary. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

<u>The policy for employers who **have a guarantor** participating in the Fund:</u>

Where there is a **guarantor** who could subsume the liabilities, the termination position is assessed using an "ongoing" valuation basis, so consistent with the funding target assumptions.

The Fund’s general policy is that recovery of deficit and surplus should be treated in a consistent manner. Therefore:

- Where all parties agree to such treatment, any deficit or surplus would normally be subsumed by the guarantor
- Otherwise, any surplus would normally be paid to the exiting employer, and any deficit would be paid immediately by the exiting employer if possible, and the guarantor otherwise, although instalment plans or temporary suspension of the payment may be considered by the Administering Authority on a case by case basis. Further details are set out in the Termination Policy in Appendix C.

The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary and taking into account any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

In practice, in the event of a surplus the Administering Authority will also have regard to the provisions of The Local Government Pension Scheme (Amendment) Regulations 2020 in determining the amount of any exit credit payable, and any such amount determined will be paid to the exiting employer within 6 months of cessation or such longer period as may be agreed in the individual case.

The policy for repayment of exit debts:

The default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement may be entered into. If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a Deferred Debt Agreement with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this position will be based on the Administering Authority’s assessment of whether the full exit debt is affordable and whether it is in the interests of taxpayers to adopt either of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer and also whether any security is required and available to back the arrangements. Further details are set out with in Appendix C.

CONTENTS

APPENDICES

1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively, "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Dyfed Pension Fund the Administering Authority will prepare and publish its funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Dyfed Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Dyfed Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the Fund Actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate is specified in the rates and adjustments certificate.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

2
PURPOSE OF THE FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the Fund Actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources (i.e. liquid assets) are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Regulations.

4
RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pensions Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund Actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer
- pay all contributions, including their own as determined by the Fund Actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and

- notify the Administering Authority promptly of any changes to membership which may affect future funding.
- Understand the pension impacts of any changes to their organisational structure and service delivery model
- Understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in the employer higher contributions than otherwise would be the case if the data was high of quality

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

The **Fund's Investment Manager(s)** should:

- invest funds given in accordance with the ISS and the Investment Management Agreement (IMA)
- meet investment performance targets and risk constraints, and
- comply with all the legislative, commercial and mandate requirements.

5
SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements, the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer’s total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency" of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Fund Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

Individual employer contributions will be expressed and certified as two separate elements:

- the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
- the **Secondary rate**: a schedule of lump sum monetary amounts over 2020/23 in respect of an employer's surplus or deficit

For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2023 based on the results of the 2022 actuarial valuation.

RECOVERY PLAN

It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall deficit contributions payable. The Administering Authority does retain ultimate discretion in applying these principles for individual employers on grounds of affordability and covenant strength.

The key principles when considering deficit recovery are as follows:

- The Fund does not believe it appropriate for monetary contribution reductions to apply compared to the existing funding plan (allowing for indexation of deficit contributions where applicable) where deficits remain unless there is a compelling reason to do so.

- Certain employers may follow a bespoke investment and funding strategy pertaining to their own circumstances determined by their risk and maturity characteristics. This will be documented separately.

- As a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Recovery Plan in **Appendix B**).

Application of these principles has resulted in the target recovery period of 11 years being adopted across Fund employers.

- Subject to affordability and other considerations, the end point of individual employer recovery plans is expected to be maintained at this valuation, which means that recovery periods will normally be three years shorter than at the 2016 actuarial valuation. The target recovery period for employers at this valuation is therefore 11 years (3 years less than the corresponding target of 14 years from the previous valuation). In practice, individual employer circumstances could cause their recovery period to be different from this.

- Over and above this, the Fund is now giving more recognition to the potential liabilities in the event that an employer will exit the Fund at some point. With this in mind, closed employers will normally have their contributions underpinned at existing levels. In addition, any employer in surplus on the ongoing actuarial valuation assumptions will not normally be allowed to use that surplus to offset its future contribution requirements to the Fund. These restrictions will not apply if the body has a surplus on its termination basis: in this event a surplus on the termination basis may be used to offset future contribution requirements.

- In order to allow employers time to adjust their budgets, contributions for 2020/21 will normally be maintained at their existing levels, other than for the major scheduled bodies, before moving to the new rates in 2021/22. Where there is a material increase in contributions required at this valuation, in certain circumstances the Fund may agree to the increase being phased in over the period to 2022/23. Employers should be aware that any stepping or deferral of increases may affect the contribution requirements arising at future valuations.

CEASING PARTICIPATION IN THE FUND

On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment.

<u>The policy for employers who have a **guarantor** participating in the Fund is as follows:</u>

The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

Otherwise, in the event of a deficit, the Fund will seek to recover this from the exiting employer in the first instance. However, if this is not possible, then to maintain a consistent approach between treatment of surplus and deficit, the Fund will then seek to recover the deficit from the guarantor via an additional cash payment, unless otherwise agreed with the Administering Authority. In the event of a surplus the Administering Authority will have regard to the provisions of The Local Government Pension Scheme (Amendment) Regulations 2020 in determining the amount of any exit credit payable, and any such amount determined will be paid to the exiting employer within 6 months of cessation or such longer period as may be agreed in the individual case.

If requested, the Administering Authority will provide details of the information considered as part of the determination. A determination notice will be provided alongside the termination assessment from the Actuary. The notice will cover the following information and process steps:

1. Details of the employers involved in the process (e.g. the exiting employer and guarantor).
2. Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
3. The final termination certification of the exit credit by the Actuary.
4. The Administering Authority's determination based on the information provided.
5. Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

<u>The policy for employers who **do not** have a **guarantor** participating in the Fund is:</u>

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of cessation or such longer period as may be agreed in the individual case).

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

- The Administering Authority can vary the treatment on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary. The termination policy is set out in Appendix C.

In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

At the discretion of the Administering Authority, repayment plans over an agreed period or a Deferred Debt Agreement may be agreed subject to the Fund's policy in relation to flexibilities in recovering exit payments.

Further detail is available in the Termination Policy in **Appendix C.**

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund, or in certain circumstances by agreement with the Fund, through instalments over a period not exceeding 3 years or if less the remaining period of the body's membership of the Fund.

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. Because the cost of an individual ill-health retirement can be substantial in relation to an employer's contribution requirements, the Fund has introduced a "captive" whereby the costs of ill health retirements (other than for the five major scheduled employers) will be spread across a wider employer base. The treatment of any ill-health retirement strain cost emerging will therefore vary depending on the type of employer:

- For those employers who participate in the ill-health captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the “premium” payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.

- For those employers who do not participate in the ill-health captive, the “primary rate” payable over 2020/23 will include an allowance for ill-health retirement costs (alongside any allowance made for voluntary early retirements). Where ill-health retirement strain costs exceed an employer’s allowance over the inter-valuation period (or should an employer not have an allowance within their “primary rate”), the excess strain costs will be included in the employer’s deficit (and subsequent deficit contributions) at the 2022 valuation.

6
LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2019 valuation show the liabilities to be 105% covered by the current assets (104% if the estimated effects of the McCloud judgment were to be allowed for), so there is a small surplus of existing assets over the past service liabilities.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is normally possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would typically, in normal circumstances, consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance nor any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of negative 0.9% per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 65%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is shown opposite.

	Benchmark %	Range %
US	8.0	3.0 - 13.0
Japan	4.00	0.0 - 9.0
Other regional	33.00	28.0 - 38.0
Global Equities	20.0	15.0 - 25.0
Fixed Income	10.0	5.0 - 15.0
Pan European Property	15.0	10.0 - 20.0
Infrastructure	5.0	3.5 - 6.5
Alternatives	5.0	3.5 - 6.5
TOTAL	**100.0**	

Based on the investment strategy in the ISS and the Actuary's assessment of the return expectations for each asset class, the overall best estimate average expected return is 2.7% per annum in excess of CPI inflation as at the valuation date. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations, and this is expected under the Regulations and guidance.

7
IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Scheme is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of some of the major risk factors.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the All Wales pool.
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Future changes in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk. As described above, for smaller employers the Fund has also implemented an internal "captive" approach to spreading the cost of ill-health retirements across a wider employer base. Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements**. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Fund Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. This version of the FSS is being consulted on from December 2019 and the final Statement will be formally approved prior to 31 March 2020 in accordance with Council delegations.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes to senior Fund Officers and the Panel membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

8
MONITORING AND REVIEW

The Administering Authority has taken advice from the Fund Actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits e.g. resolution of the McCloud remedy
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund
- has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of an employer who may exit the Fund, there is statutory provision for rates to be amended between valuations and this will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

REVIEW OF CONTRIBUTIONS

In line with the Regulations, the Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now have the following flexibilities:

1. The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
2. The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.
3. An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them.

Consideration will be given to any risk sharing arrangements (e.g. cap and collar arrangements) when reviewing contribution rates. Further information is set out within the policy in Appendix E.

THE MCCLOUD JUDGMENT

The cost management process was set up by HMT, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes, relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

The Government have confirmed that this judgment will result in a remedy being required for the LGPS. The Scheme Advisory Board issued guidance which sets out how the McCloud case should be allowed for within the 2019 valuation.

Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation, when considering the appropriate contribution provision, we have assumed that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. The relevant estimated costs have been quantified and included within the contribution requirements quoted as part of the 2019 actuarial valuation for individual employers. For whole fund reporting purposes, in line with guidance issued by the LGPS Scheme Advisory Board, the McCloud costs have not been included within the disclosed funding level or primary contribution rate. The effects have, however, been separately quantified and are set out in the actuarial valuation report.

APPENDIX A

ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The past service discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.7% per annum above CPI inflation i.e. a real return of 1.7% per annum equivalent to a total discount rate of 4.1% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics. The discount rate will be reviewed as a matter of course at the time of a formal valuation or a formal employer rate review.

For those employers who are funding on a corporate bond based the discount rate used will be linked directly to the yields available of corporate bond assets of an appropriate duration.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation to account for the above at the valuation date is 1.0% per annum. This adjustment to the RPI inflation assumption will be reviewed from the valuation date to take into account any reform in the RPI index, as announced by the Chancellor of the Exchequer. The change will then be implemented for the policies set out in this statement.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% per annum over the inflation (CPI) assumption as described above. This includes allowance for promotional increases.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation). For members in pensionable employment, their CARE benefits are also indexed by CPI although this can be less than zero i.e. a reduction in benefits, whereas for pension increases this cannot be negative, as pensions cannot be reduced.

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Fund Actuary. A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health. For all members, it is assumed that the accelerated trend in longevity seen over recent time periods (as evidenced in the 2018 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2018 projections and a long term improvement trend of 1.75% per annum.

We have set out the life expectancies at age 65 on the 2019 assumptions.

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	22.9	24.8
Actives aged 45 now	24.4	27.0
Deferreds aged 45 now	22.8	25.6

For example, a male pensioner, currently aged 65, would be expected to live to age 87.9, whereas a male active member aged 45 would be expected to live until age 89.4. This is a reflection of the expected improvement in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 per annum of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been updated from those adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the contribution requirements for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR "PRIMARY RATE")

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state that contributions are set at such a level to achieve: full solvency in a reasonable timeframe, and long term cost-efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. The Regulations also state that the Fund Actuary should have regard to the *desirability* of keeping the "Primary Rate" (which is the future service rate) as stable as possible. All of these requirements need to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.25% per annum above the long term average assumption for consumer price inflation of 2.4% per annum. This leads to a discount rate of 4.65% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.40% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.10% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases	3.90% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.65% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases	3.90% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	94% S3PMA_CMI_2018 [1.75%] 92% S3PFA_M_CMI_2018 [1.75%]
	Dependant	124% S3PMA_CMI_2018 [1.75%] 94% S3DFA_CMI_2018 [1.75%]
	Ill Health	116% S3IMA_CMI_2018 [1.75%] 134% S3IFA_CMI_2018 [1.75%]
	Future Dependant	123% S3PMA_CMI_2018 [1.75%] 109% S3DFA_CMI_2018 [1.75%]
Active	Normal Health	100% S3PMA_CMI_2018 [1.75%] 91% S3PFA_M_CMI_2018 [1.75%]
	Ill Health	116% S3IMA_CMI_2018 [1.75%] 140% S3IFA_CMI_2018 [1.75%]
Deferred	All	124% S3PMA_CMI_2018 [1.75%] 109% S3PFA_M_CMI_2018 [1.75%]
Future Dependant	Dependant	127% S3PMA_CMI_2018 [1.75%] 117% S3DFA_CMI_2018 [1.75%]

Other demographic assumptions are set out in the Fund Actuary's formal report.

APPENDIX B – EMPLOYER RECOVERY PLANS

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. On an individual employer basis it is very rare for the assets to equal the past service liabilities, so a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall, or adjustments made to run off the surplus (where appropriate).

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. **This will determine the minimum contribution requirement although employers will be free to select any shorter deficit recovery period and/or pay higher contributions if they wish.**

The determination of the recovery periods is summarised in the table below:

Category	Target Deficit Recovery Period	Derivation
Unitary Authorities, and Police & Crime Commissioner	14 years	3 years less than at the 2016 valuation
Mid and West Wales Fire Authority	14 years	Currently in surplus and chosen to smooth the contribution outcome
Open Employers	Normally 11 years	3 years less than at the 2016 valuation
Closed Employers	Minimum of 11 years and the average future working lifetime of the membership	Target recovery period reduced by 3 years but also ensuring consistency of overall contributions versus those on the existing recovery plan
Employers with a limited participation in the Fund	Determined on a case by case basis	Normally the length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

For any employers assessed to be in surplus, their individual contribution requirements will be adjusted to such an extent that any surplus is unwound over an 11 year period unless agreed with the Administering Authority (if surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount). The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

Over and above this, the Fund is now giving more recognition to the potential liabilities in the event that an employer will exit the Fund at some point. With this in mind, closed employers will normally have their contributions underpinned at existing levels. In addition, any employer in surplus on the ongoing actuarial valuation assumptions will not normally be allowed to use that surplus to offset its future contribution requirements to the Fund. These restrictions will not apply if the body has a surplus on its termination basis: in this event a surplus on the termination basis may be used to offset future contribution requirements.

Other factors affecting the Employer Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the Fund Actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C – TERMINATION POLICY, FLEXIBILITIES FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS

INTRODUCTION

This document details the Fund's policy on the methodology for assessment of termination payments in the event of the cessation of an employer's participation in the Fund, repayment plans and Deferred Debt Agreements (DDA). It supplements the general policy of the Fund as set out in the FSS.

TERMINATION ASSESSMENT OF AN EMPLOYER'S RESIDUAL PENSION OBLIGATIONS AND METHOD TO CALCULATE BOND/ FINANCIAL GUARANTEES

ASSUMPTIONS TO ADOPT FOR THE TERMINATION ASSESSMENT

On the cessation of an employer's participation in the Fund where an employer becomes an exiting employer, the Actuary will be asked to make a termination assessment. Depending on the circumstances of the termination this assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer. Typically this will be where the employer does not have a guarantor in the Fund who has agreed to subsume the orphaned liabilities from the exiting employer.

Where it may be appropriate to use a more cautious basis, the discount rate assumption used will be derived to be consistent with a lower risk investment strategy based on corporate bond yields of an appropriate duration. This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary. The Administering Authority retains the discretion to adopt a different approach (e.g. one based on a "minimum risk" approach) for any particular employer related to the size of the risk and the employer will be notified of this accordingly.

In addition to using a more cautious discount rate, the Actuary will also use a more prudent mortality assumption when assessing the size of the liabilities for termination purposes. In particular, the Actuary will assume a higher improvement rate for future life expectancy than is used for ongoing funding purposes. Where it is appropriate to apply a more cautious assumption, the Actuary will assume that the accelerated trend in longevity seen in recent years will continue in the longer term. The assumption, therefore, will build in a level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a long term improvement trend of 2% per annum for males and females.

The appropriate method adopted depends on the characteristics of the exiting body (and in particular whether there is another employer in the Fund who is prepared to act as sponsor for any residual liabilities) and the risk in the context of the potential impact on other employers' contributions. This is because where liabilities are "orphaned" all employers have to cover any deficits (or surpluses) that arise in relation to these liabilities via their contribution rates at each valuation.

In summary, depending on the employer type, participation basis and covenant there are three alternative approaches to value liabilities on termination and to assess bond requirements:-

1. Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis adjusted as necessary to reflect the expected return outlook in relation to the investment strategy which supports the exiting employer's liabilities. These assumptions will be reviewed on an ongoing basis to allow for changed in market conditions along with any structural or legislative changes. In particular, since the valuation date it has been announced that RPI inflation will be reformed to be in line with the CPIH inflation measure from 2030. This therefore needs to be reflected when deriving an updated market estimate of the CPI inflation. For example, when assessing a termination position from 25 November 2020 we will adjust the market RPI inflation to arrive at the CPI inflation assumption by deducting 0.6% per annum as opposed to the 1.0% per annum at the valuation date when assessing an employers termination position. This assumption will be kept under review over time.
2. Assessing the final liabilities using a discount rate which is linked to a lower risk investment strategy, so that the calculation of the liabilities will be based on corporate bonds of appropriate duration to the liabilities. In addition, the Actuary will apply the more prudent mortality assumption as described above. The assumptions adopted will also be reviewed on an ongoing basis and updated for any market developments, including any structural or legislative changes such as the reform of RPI.
3. Assessing the final liabilities using a discount rate which is based on a "minimum risk" approach where the discount rate will be based on government gilt yields of appropriate duration to the liabilities and a more prudent mortality assumption as above (again the assumptions adopted will also be reviewed on an ongoing basis and updated for any market developments, including any structural or legislative changes such as the reform of RPI). Typically this will be applied to an employer who would have a material effect on the Fund on exit by leaving significant residual orphan liabilities.

APPROACH TO ADOPT FOR EACH EMPLOYER TYPE

The approach to be adopted would be varied dependent on whether there is a guarantor who participates in the Fund who would be prepared to assume responsibility for the liabilities and the type of participation as follows:-

(I) ADMISSION BODIES PARTICIPATING BY VIRTUE OF A CONTRACTUAL ARRANGEMENT

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's default policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. This is subject to the agreement of all parties involved (i.e. the Fund, the exiting employer and the guarantor) who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor. In some instances an exit debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No payment of an exit credit will be payable unless representation is made as set out below.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make

representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.
- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the final cessation by the Actuary.
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation depending on the circumstances.

If requested, the Administering Authority will provide details of the information considered as part of the determination. A determination notice will be provided alongside the termination assessment from the Actuary. The notice will cover the following information and process steps:

1. Details of the employers involved in the process (e.g. the exiting employer and guarantor).
2. Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
3. The final termination certification of the exit credit by the Actuary.
4. The Administering Authority's determination based on the information provided.
5. Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations as noted above. For the avoidance of doubt, where the outgoing employer is not responsible for any costs under a risk sharing agreement then no exit credit will be paid as per the Regulations unless the Fund is aware of the provisions of the risk sharing agreement in any representation made and determines an exit credit should be paid.

Where the guarantor will absorb the residual assets and liabilities, it is the view of the Actuary that the ongoing valuation basis (adjusted as necessary as described above) should be adopted for the termination calculations. This is the way the initial admission agreement would typically be structured i.e. the admission would normally be fully funded based on liabilities assessed on the valuation basis.

If a guarantor deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, for future termination events the Fund will not normally allow the guarantor to subsume any residual deficits. In such cases they would normally require the exiting employer to pay off the deficit as a single lump sum.

If the guarantor refuses to take responsibility for the liabilities then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs the exiting employer would then be treated as if it had no guarantor as per the policy below.

(II) OTHER EMPLOYERS WITH A GUARANTOR IN THE FUND

The approach for these will be the same as (i) above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities.

(III) EMPLOYERS WITH NO GUARANTOR IN THE FUND

These are cases where the residual liabilities would be “orphaned” within the Fund, although it is possible that a bond would be in place. The termination calculation would be on the more cautious basis as noted in 2. above although the approach in 3. above could apply at the discretion of the Administering Authority.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing employer must be produced by the Actuary at the time when the employer exits the Fund; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The policy for such employers will be:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation by the Actuary or such longer period as may be agreed in the individual case).
- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The above funding principles will also impact on the **bond requirements** for bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

ALLOWING FOR THE MCCLOUD JUDGMENT IN TERMINATION VALUATIONS

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not currently known with any certainty although it is expected to be similar to the allowance made in employer rates at this valuation. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations and the impact will be considered at the next contribution rate review. However, if a representation is made to the Administering Authority in relation to an Exit Credit then a reasonable estimate for the potential cost of McCloud will need to be included.

Where a surplus or deficit isn’t being subsumed, McCloud will be allowed for as a matter of policy.

The allowance will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer using the termination assessment assumptions. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

POLICY IN RELATION TO THE FLEXIBILITY FOR EXIT DEBT PAYMENTS AND DEFERRED DEBT AGREEMENTS (DDA)

The Fund's policy for termination payment plans is as follows:

1. The default position is for exit payments to be paid immediately in full unless there is a risk sharing arrangement in place with a guaranteeing Scheme employer in the Fund whereby the exiting employer is not responsible for any exit payment. In the case of an exit credit the determination process set out above will be followed.

2. At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement (DDA) will only be agreed subject to the policy in relation to any flexibility in recovering exit payments.

As set out above, the default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a DDA with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this position will be based on the Administering Authority's assessment of whether the full exit debt is affordable and whether it is in the interests of taxpayers to adopt either of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer and also whether any security is required and available to back the arrangements.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and will be invoiced to the employer by the Fund or included in the contribution plan or exit debt payment (depending on the circumstances).

The following policy and processes will be followed in line with the principles set out in the statutory guidance dated 2 March 2021.

POLICY FOR SPREADING EXIT PAYMENTS

The following process will determine whether an employer is eligible to spread their exit payment over a defined period.

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. If this information is not provided then the default policy of immediate payment will be adopted.

2. Once this information has been provided, the Administering Authority (in conjunction with the Fund Actuary, covenant and legal advisors where necessary) will review the covenant of the employer to determine whether it is in the interests of the Fund to allow them to spread the exit debt over a period of time. Depending on the length of the period and also the size of the

outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payments.

3. This could include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. The payments required will include allowance for interest on late payment.

4. The initial process to determine whether an exit debt should be spread may take up to 6 months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time

5. If it is agreed that the exit payments can be spread then the Administering Authority will engage with the employer regarding the following:
    a. The spreading period that will be adopted (this will be subject to a maximum of 5 years).
    b. The initial and annual payments due and how these will change over the period
    c. The interest rates applicable and the costs associated with the payment plan devised
    d. The level of security required to support the payment plan (if any) and the form of that security e.g. bond, escrow account etc.
    e. The responsibilities of the employer during the exit spreading period including the supply of updated information and events which would trigger a review of the situation
    f. The views of the Actuary, covenant, legal and any other specialists necessary
    g. The covenant information that will be required on a regular basis to allow the payment plan to continue.
    h. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances)

6. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.

EMPLOYERS PARTICIPATING WITH NO CONTRIBUTING MEMBERS

As opposed to paying the exit debt an employer may participate in the Fund with no contributing members and utilise the "Deferred Debt Agreements" (DDA) at the sole discretion of the Administering Authority. This would be at the request of the employer in writing to the Administering Authority.

The following process will determine whether the Fund and employer will enter into such an arrangement:

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation. If this information is not provided then a DDA will not be entered into by the Administering Authority

2. Once this information has been provided, the Administering Authority will firstly consider whether it would be in the best interests of the Fund and employers to enter into such an arrangement with the employer. This decision will be based on a covenant review of the

employer to determine whether the exit debt that would be required if the arrangement was not entered into is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).

3. The initial process to determine whether a DDA should apply may take up to 3 months from receipt of the required information so an employer who wishes to request that the Administering Authority enters into such an arrangement needs to make the request in advance of the potential exit date.

4. If the Administering Authority's assessment confirms that the potential exit debt is not affordable, the Administering Authority will engage in discussions with the employer about the potential format of a DDA using the template Fund agreement which will be based on the principles set out in the Scheme Advisory Board's separate guide. As part of this, the following will be considered and agreed:

    - What security the employer can offer whilst the employer remains in the Fund. In general the Administering Authority won't enter into such an arrangement unless they are confident that the employer can support the arrangement on an ongoing basis. Provision of security may also result in a review of the recovery period and other funding arrangements.
    - Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.
    - What the updated secondary rate of contributions would be required up to the next valuation.
    - The financial information that will be required on a regular basis to allow the employer to remain in the Fund and any other monitoring that will be required.
    - The advice of the Actuary, covenant, legal and any other specialists necessary.
    - The responsibilities that would apply to the employer while they remain in the Fund.
    - What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
    - The circumstances that would trigger a variation in the length of the DDA (if appropriate), including a cessation of the arrangement e.g. where the ability to pay contributions has weakened materially or is likely to weaken in the next 12 months. Where an agreement ceases an exit payment (or credit) could become payable. Potential triggers may be the removal of any security or a significant change in covenant assessed as part of the regular monitoring.
    - Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment or change in security underpinning the agreement.

    The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to enter into a DDA with the employer and confirm the terms that are required.

5. For employers that are successful in entering into a DDA, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the DDA in the interim if any of the agreed triggers are met.

6. The costs associated with the advice sought and drafting of the DDA will be borne by the employer and will be invoiced to the employer by the Fund or included in the contribution plan (depending on the circumstances).

APPENDIX D – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated recovery plan should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Green (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) by officers based upon advice provided by the Fund Actuary.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management approach is the identification and treatment of the risks. It will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis and investment strategy (e.g. the termination basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX E – REVIEW OF EMPLOYER CONTRIBUTIONS BETWEEN VALUATIONS

In line with the Regulations that came into force on 23rd September 2020, the Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now have the following flexibilities:

1. The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
2. The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.
3. An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them. The employer would be required to pay the costs of any review following completion of the calculations and is only permitted to make a maximum of one request between actuarial valuation dates (except in exceptional circumstances and at the sole discretion of the Administering Authority).

Where the funding position for an employer significantly changes solely due to a change in assets (or changes in actuarial assumptions), the Regulations do not allow employer contributions to be reviewed outside of a full valuation. However changes in assets would be taken into account when considering if an employer can support its obligations to the Fund after a significant covenant change (see 2. above).

The Administering Authority will consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt, any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to next actuarial valuation date, unless in exceptional circumstances. For example:

- A contribution review due to a change in membership profile would not be undertaken in the 6 months leading up to the next valuation Rates and Adjustments Certificate.
- However, where there has been a material change in covenant, a review will be considered on a case by case basis to determine if a contribution review should take place and when any contribution change would be implemented. This will take into account the proximity of the actuarial valuation and the implementation of the contributions from that valuation.

SITUATIONS WHERE CONTRIBUTIONS MAY BE REVIEWED

Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case. Consideration will also be given to the impact that any employer changes may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

1) Significant changes in the employer's liabilities

This includes but is not limited to the following scenarios:

a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
   i. Restructuring of an employer
   ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
   iii. A bulk transfer into or out of the employer
   iv. Other significant changes to the membership for example due to redundancies, significant salary awards, material ill health retirements (for employers not using the ill-health captive arrangement) or, large numbers of withdrawals

b) Two or more employers merging including insourcing and transferring of services

c) The separation of an employer into two or more individual employers

In terms of assessing the triggers under a) above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than 5% of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the rate will normally only take into account the impact of the change in liabilities (including, if relevant, any underfunding in relation to pension strain costs) both in terms of the Primary and Secondary rate of contributions.

2) Significant changes in the employer's covenant

This includes but is not limited to the following scenarios:

a) Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other pension arrangement which may impair the security provided to the Fund.

b) Material change in an employer's immediate financial strength or longer-term financial outlook (evidence should be available to justify this) including where an employer ceases to operate or becomes insolvent.

c) Where an employer exhibits behaviour that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's ability to meet its obligations.

Employers will be required to agree to notify the Administering Authority of any material changes in relation to a) or b) above.

Additional information will be sought from the employer in order to determine whether a contribution review is necessary. This may include annual accounts, budgets, forecasts and any specific details of restructure plans. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser.

In this instance, any review of the contribution rate would include consideration of the updated funding position both on an ongoing and termination basis and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions (see further comments below):

- the contributions changing or staying the same depending on the conclusion and/or;
- security to improve the covenant to the Fund and/or;
- if appropriate, a change in the investment strategy via the employer investment pot.

PROCESS AND POTENTIAL OUTCOMES OF A CONTRIBUTION REVIEW

Where one of the listed events occurs, the Administering Authority will enter into discussion with the employer to clarify details of the event and any intention to review contributions. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisors.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to agree to meet any professional and/or administration costs associated with the review. The employer will be required to outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority.

The Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in membership data is expected to have a material impact on the outcome) and whether any supporting information is required from the employer.

As well as revisiting the employer’s contribution plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- Whether the Primary contribution rate should be adjusted to allow for any profile change
- Whether the Secondary contribution rate should be adjusted including whether the length of the recovery period adopted at the previous valuation remains appropriate. The remaining recovery period from the last valuation would be the maximum period adopted (except in exceptional and justifiable circumstances and at the sole discretion of the Administering Authority on the advice of the Actuary).

The review of contributions may take up to 3 months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary data.

Any change to an employer's contributions will be implemented at a date agreed between the employer and the Fund. The Schedule to the Rates and Adjustment Certificate at the last valuation will be updated for any contribution changes. As part of the process the Administering Authority will consider whether it is appropriate to consult any other Fund employers prior to implementing the revised contributions. Circumstances where the Administering Authority may consider it appropriate to do so include where there is another employer acting as guarantor in the Fund, then the guarantor would be consulted on as part of the contribution review process.

The Administering Authority will agree a proportionate process for periodical ongoing monitoring and review following the implementation of the revised contribution plan. The Employer will be required to provide information to the Fund to support this, which will depend in part of the reasons for triggering the contribution review.

APPENDIX F - GLOSSARY

Actuarial Valuation: an investigation by the Fund Actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the Administering Authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (LGPS) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Contingent Assets: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

CPI: acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

CPIH: an alternative measure of CPI which includes owner/occupiers’ housing costs and Council Tax (which are excluded form CPI).

Deferred Debt Agreement (DDA): A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

Deferred Employer: An employer that has entered into a DDA with the Fund.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate (Primary Rate): the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and scheme employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Fund Actuary / Actuary: an individual appointed by the Administering Authority who is a Fellow of the Institute and Faculty of Actuaries and is suitably authorised and experienced to perform an LGPS actuarial valuation.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the Administering Authority will manage employer's contributions and risks to the Fund.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Minimum risk funding basis: more cautious funding basis than the existing valuation basis. The relevant discount rate used for valuing the present value of liabilities is based on the yields from Government Bonds or Swaps.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. scheme cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Mandatory scheme employers: Employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Scheme Employers. For example, these include councils, colleges, universities and academies.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Fund Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the Fund Actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Scheme Employers.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements.   The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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PENSIONS ADMINISTRATION REPORT – 8th October 2021

This report provides a progress update on a number of projects being simultaneously undertaken, along with providing information on relevant issues in the administration of scheme benefits.

1. Regulatory update –

    a. McCloud/Sargeant update – You will recall from the previous report that the remedy would require the recalculation all pensions (including dependants pensions), death grants, and deferred benefits calculated since 1st April 2014 for those that were active on 31st March 2012. This will require all employers to provide the hours each part time scheme member, including any changes, they have worked between 1st April 2014 to 31st March 2022. Meetings have been held with the majority of employers to clarify the categories and members for which uploads are required. These Employers have also been provided with test data extracts to identify any issues. Our software supplier is continuing to test the 'McCloud' data upload facility. When this has been completed, a detailed project plan can be provided as it is currently anticipated that a significant number of cases will require manual intervention rather than automated update of hours. Regulatory clarity is also required to deal with data discrepancies and cases where the employer no longer exists or is not able to provide data. It is anticipated that following a consultation, amending regulations and guidance will be published next Spring.

    b. Funding Strategy Statement (FSS) – A consultation has taken place due to regulatory changes which have come into force and provide greater flexibility to the Fund and employers in reviewing contributions and managing termination debts. These flexibilities introduced Debt Spreading Arrangements (DSA) and Deferred Debt Agreement (DDA) to assist exiting employers. No issues were raised by Fund employers during the consultation period and the revised FSS is included with committee papers.

2. New Employer

    Adapt became a scheme employer on 11th June 2021 following a TUPE transfer of staff. A bond is in place.

3. Breaches Register

Regulation 18(5) of the LGPS Regulations 2013 prescribes that there is a time limit for payment of a refund of pension contributions:

"*An administering authority shall refund contributions to a person entitled under paragraph (1) when the person requests payment, or on the expiry of a period of five years beginning with the date the person's active membership ceased if no request is made before then or, if the person attains age 75 before then, on the day before attaining age 75.*"

The National Technical Group recommend to SAB, to change the regulations concerning the payment of a refund to reflect the position prior to 1 April 2014 i.e. to remove the prescription that requires an administering authority to pay a refund on the expiry of a period of five years beginning with the date the person's active membership ceased if no request is made before then.

In making this recommendation the group acknowledged that interest would be added up to the date of payment, as opposed to on the expiry of 5 years and if a fully completed mandate is not returned by the member, no further action would take place i.e. the group agreed not to waste time or money on using Tracing services in respect of members who have been contacted repeatedly and do not reply. The SAB have made recommendations to MHCLG.

The refunds scheduled to be automatically paid in June 2021, July 2021 and August 2021 have been included on the breaches register as the scheme members have not replied in order for the refund to be paid.

4. I-connect

In order to improve the timeliness of data flow from scheme employers to the administration section, a monthly update system called 'i-connect' has been implemented.

Further development work has continued with employers to 'on board' them in order that data can be transferred electronically. The table below shows the employers who are active on i-connect.

Employer	i-Connect status
ABERYSTWYTH TOWN COUNCIL	Active
ADAPT	Active
BURRY PORT MARINA LTD	Active
CAREERS WALES WEST	Active
CARMARTHEN TOWN COUNCIL	Active
CARMARTHENSHIRE AVS	Active
CARMARTHENSHIRE C C	Active
COLEG SIR GAR	
CARMARTHENSHIRE FED OF YFC	Active
CEREDIGION AVO	Active
CEREDIGION C C	Active
COLEG CEREDIGION	
COOMB CHESHIRE HOME	Active
CWMAMMAN TOWN COUNCIL	Active
DYFED-POWYS POLICE	
GORSLAS COMMUNITY COUNCIL	Active
GRWP GWALIA	Active
IAITH CYFYNGEDIG	Active
KIDWELLY TOWN COUNCIL	Active
LLANBADARN FAWR COUMMUNITY	Active
LLANEDI COMMUNITY COUNCIL	Active
LLANELLI RURAL COUNCIL	Active
LLANELLI TOWN COUNCIL	Active
LLANGENNECH COMMUNITY COUNCIL	Active
LLANNON COMMUNITY COUNCIL	Active
LLESIANT DELTA WELLBEING LTD	Active
MENTER BRO DINEFWR	Active
MENTER CASTELL NEDD PT	Active
MENTER CWM GWENDRAETH	Active
MENTER GORLLEWIN SIR GAR	Active
MID & WEST WALES FIRE	
NARBERTH AND DISTRICT SPORTS ASSOC	Active
PEMBREY AND BURRY PORT TOWN COUNCIL	Active
PEMBROKE DOCK TOWN COUNCIL	Active
PEMBROKE TOWN COUNCIL	Active
PEMBROKESHIRE AVS	Active
PEMBROKESHIRE C C	Active
PEMBROKESHIRE COAST NAT PARK	Active
PEMBROKESHIRE COLLEGE	
PLANED	Active
TAI CEREDIGION	Active
TENBY TOWN COUNCIL	Active
TRINITY COLLEGE	Active
UNIVERSITY COLLEGE OF WALES	Active
WELSH BOOKS COUNCIL	Active
WEST WALES ACTION FOR MENTAL HEALTH	Active
VALUATION TRIBUNAL FOR WALES	Active
VISIT PEMBROKESHIRE	Active

5. GMP Reconciliation

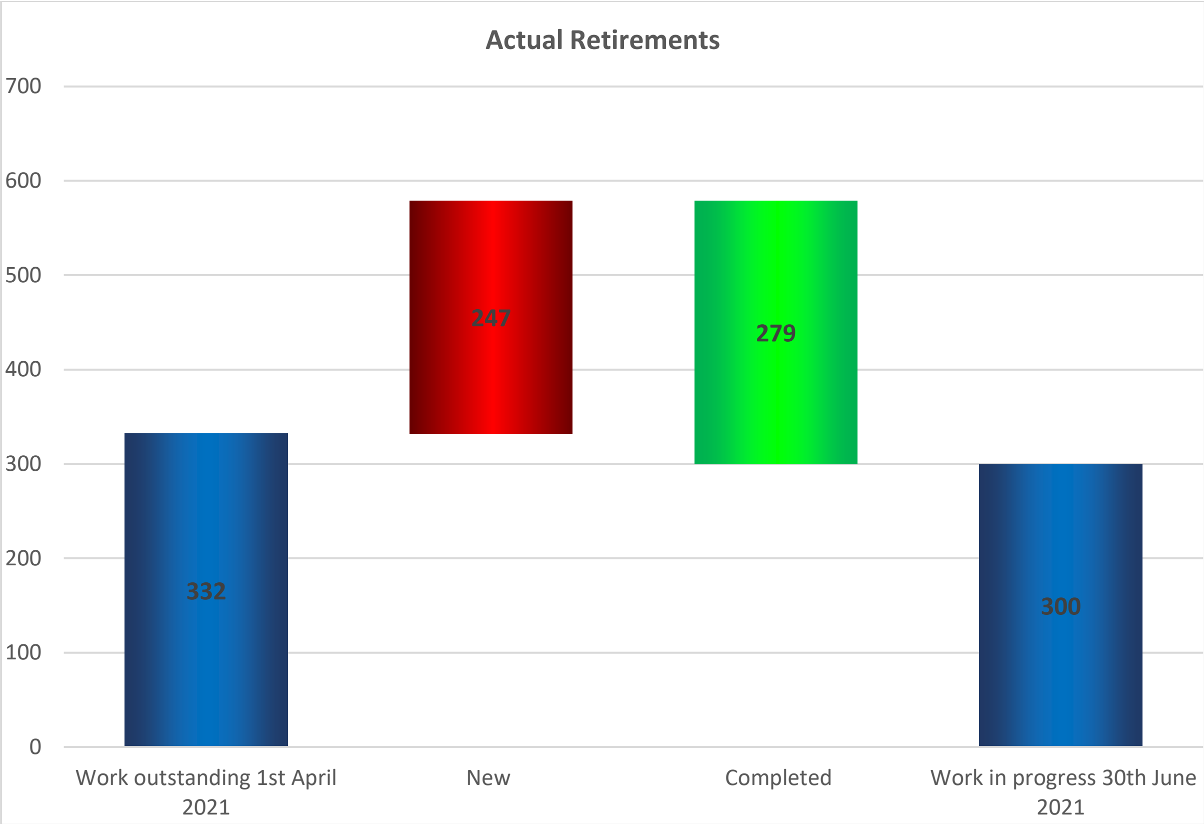
When a scheme member attains State Pension Age, they will be advised of the amount of Guaranteed Minimum Pension (GMP) which is included in their pension. The GMP relates to the part of the pension for the period between April 1978 and April 1997 for which they were 'contracted-out'. For this period, the Scheme has to guarantee that their pension will be at least the same as it would have been, had they not been 'contracted-out'. Contracting out ceased in April 2016. HMRC have now stated that they will not be sending a statement to all individuals affected specifying who is responsible for paying their Guaranteed Minimum Pension (GMP). The pensions section will continue to reconcile the GMP values it holds for members with those calculated by HMRC. It ensures that all individuals recorded by HMRC against the fund are correct. The pensions section has reconciled 99.76% of the records held. Further information has also been issued to HMRC in order that they can amend their records, unfortunately, a response remains outstanding. Reconciliation work has also been undertaken in respect of active scheme members and 99.40% have been reconciled. Unfortunately HMRC have not responded to all the outstanding queries and therefore the reconciled data remains the same as the previous report.

6. Workflow

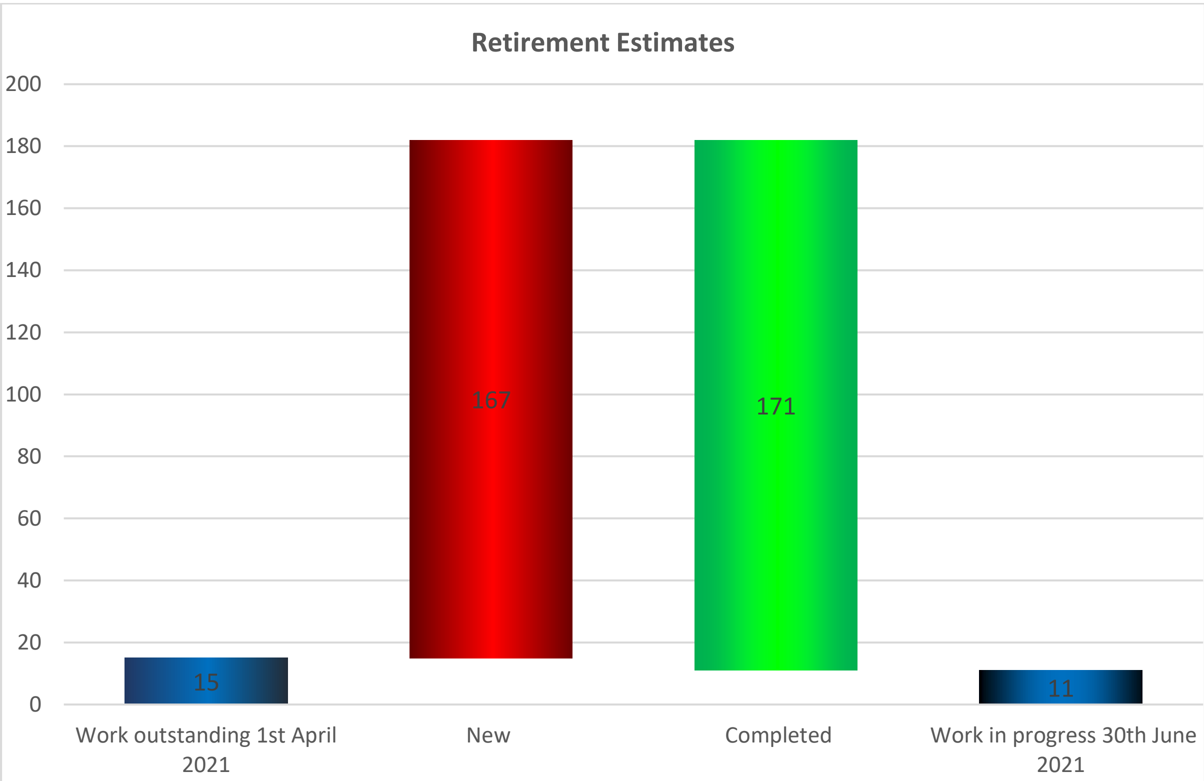
The tables overleaf detail the workflow statistics for the key tasks undertaken in the section for the period 1st April 2021 to 30th June 2021 in respect of the LGPS only. Please note that in circumstances where multiple iterations for the same calculation date have been undertaken, this is recorded as a single estimate. The workflow statistics are recorded on a quarterly basis.

Kevin Gerard

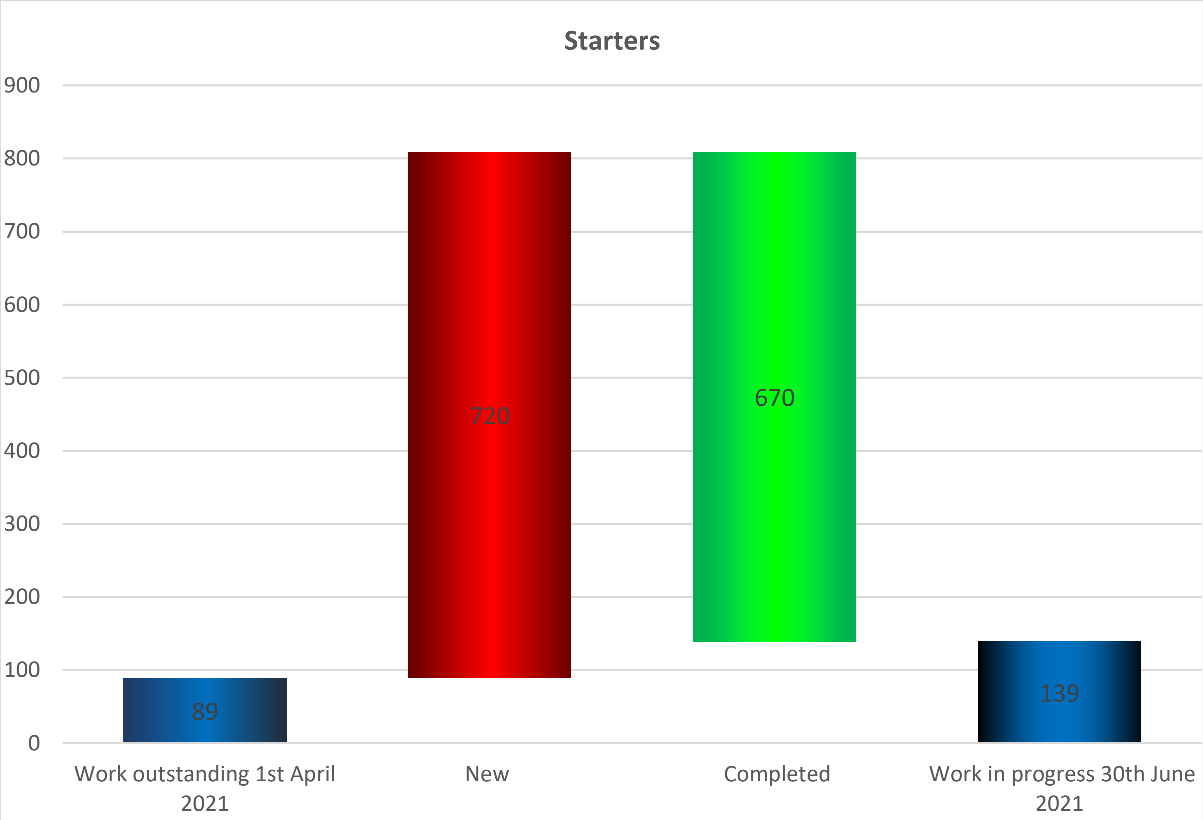
Pensions Manager

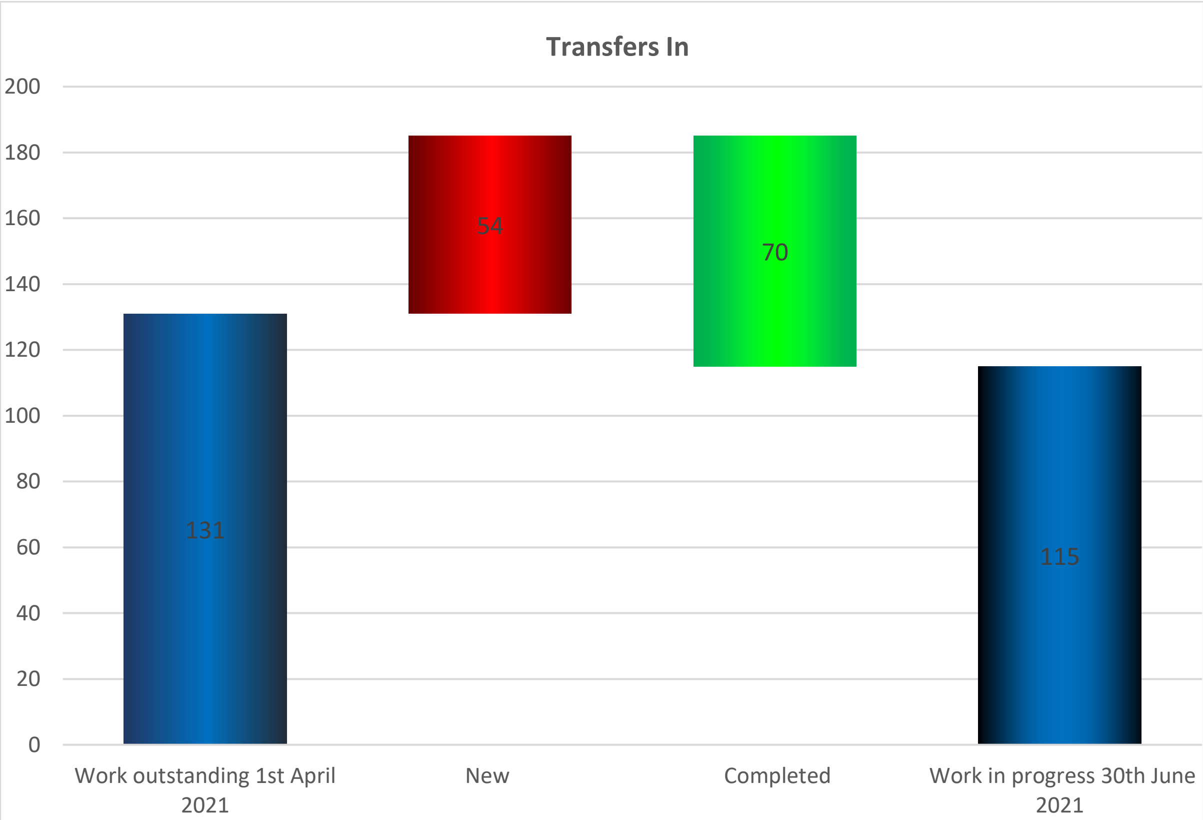


Actual Retirements
700
600
500
400
300
200
100
0
332
247
279
300
Work outstanding 1st April 2021
New
Completed
Work in progress 30th June 2021

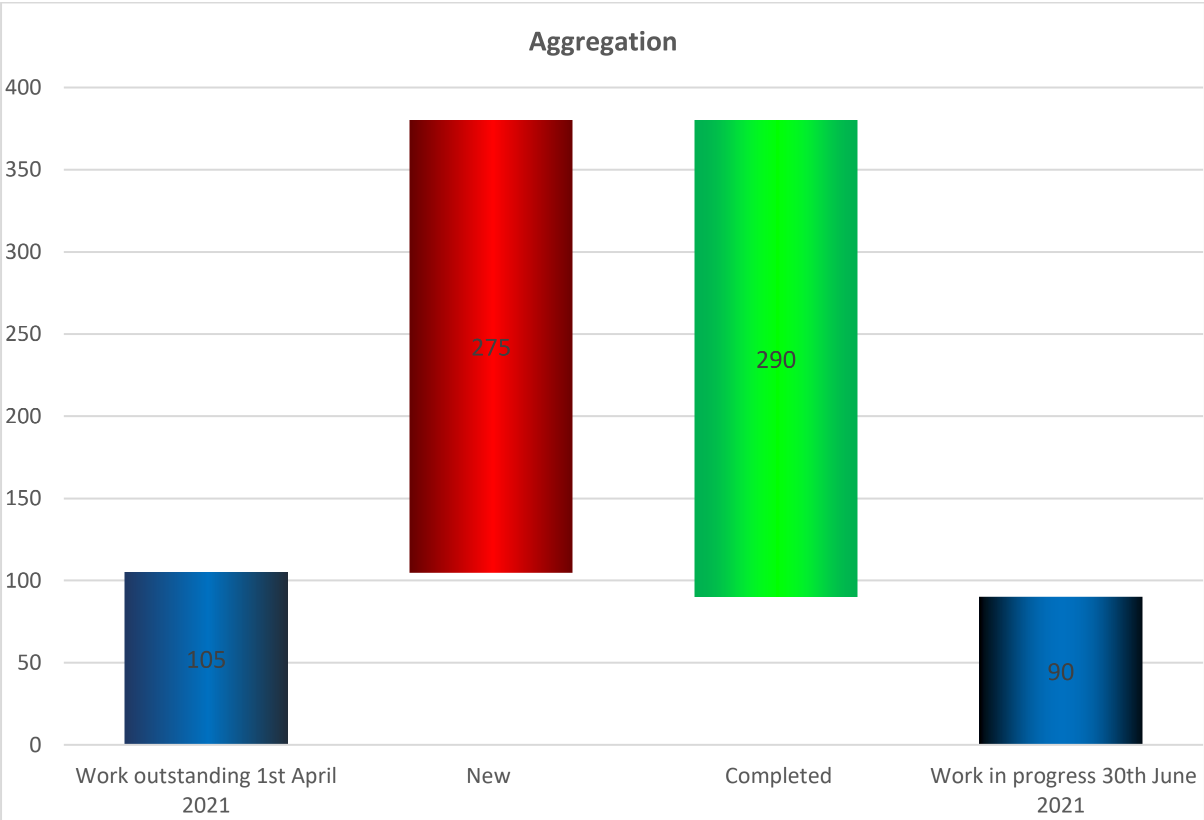


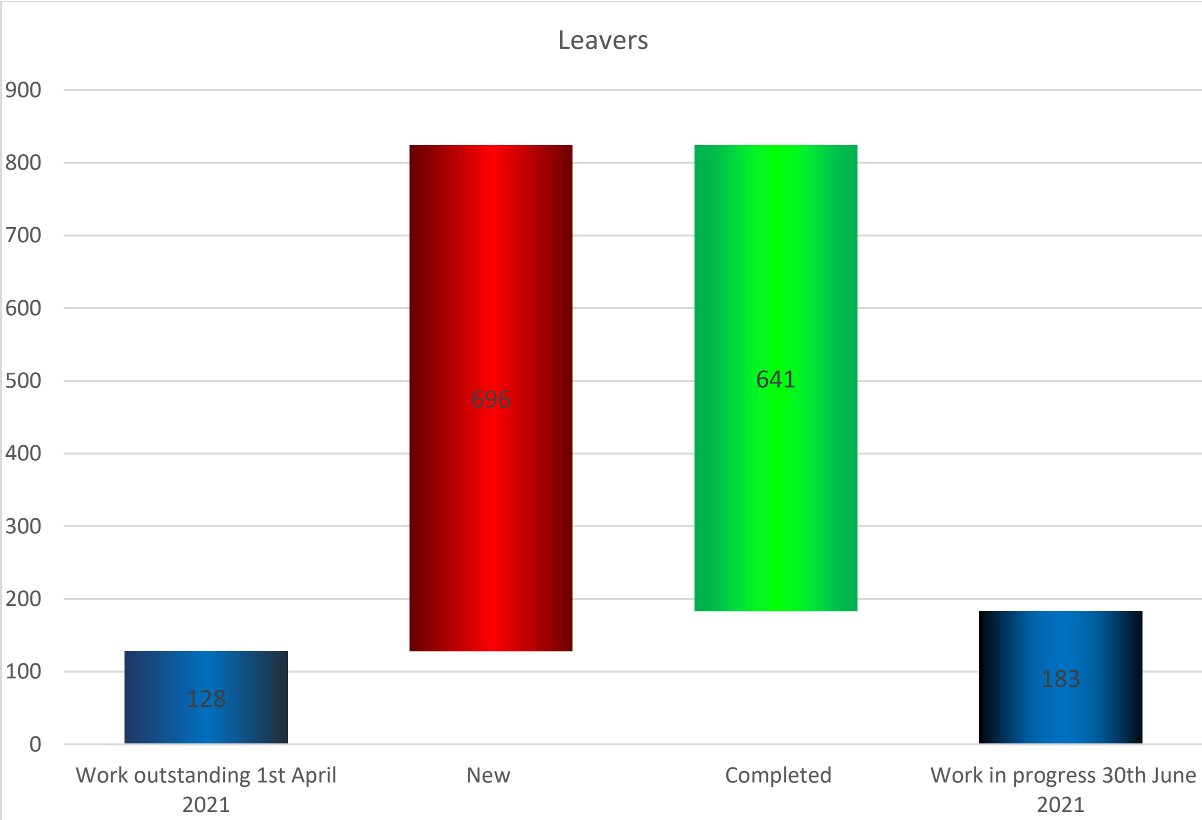
Retirement Estimates
200
180
160
140
120
100
80
60
40
20
0
15
167
171
11
Work outstanding 1st April 2021
New
Completed
Work in progress 30th June 2021


Starters
900
800
700
600
500
400
300
200
100
0
89
720
670
139
Work outstanding 1st April 2021
New
Completed
Work in progress 30th June 2021


Transfers In
200
180
160
140
120
100
80
60
40
20
0
131
54
70
115
Work outstanding 1st April 2021
New
Completed
Work in progress 30th June 2021


Transfer Out
180
160
140
120
100
80
60
40
20
0
103
60
65
98
Work outstanding 1st April 2021
New
Completed
Work in progress 30th June 2021


Aggregation
400
350
300
250
200
150
100
50
0
105
275
290
90
Work outstanding 1st April 2021
New
Completed
Work in progress 30th June 2021



Leavers
900
800
700
600
500
400
300
200
100
0
128
696
641
183
Work outstanding 1st April 2021
New
Completed
Work in progress 30th June 2021

Breaches Report

Breach Number	Year	Date of Breach / Likely Breach	Failure Type	A description of the breach (including relevant dates), its cause and effect, including the reasons it is, or is not, believed to be of material significance	Been reported to tPR before	RAG Status	Report to tPR	Actions taken to rectify the breach. A brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future
105	2021-22	22/4/21	Contributions	March payment of £5,689.78 was received 27/4/21 (5 days late). Payment has now been received.	No	Amber	No Report	There are no long term implications associated with this breach.
106	2021-22	22/4/21	Contributions	March payment of £1,452.45 was received 27/4/21 (5 days late). Payment has now been received.	No	Amber	No Report	There are no long term implications associated with this breach.
107	2021-22	March, April & May 2021	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. March - 11 members & total refunds = £1603.09, April - 10 members & total refunds = £2975.15, May - 15 members & total refunds = £4516.59	No	Amber	No Report	The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014.
108	2021-22	22/8/21	Contributions	July payment of £26,726.68 was received 23/8/21 (1 day late) due to availability of signatory for payment run. Payment has now been received.	No	Amber	No Report	There are no long term implications associated with this breach.
109	2021-22	June, July & August 2021	Automatic payment of refund after 5 years for post 2014 leavers	Members have been contacted requesting bank details in order to pay refunds, however, no reply has been received from the scheme members. June - 21 members & total refunds = £3755.39, July - 16 members & total refunds = £3465.60, August - 44 members & total refunds = £12799.01	No	Amber	No Report	The National Technical Group has recommended to the SAB that the regulations in respect of refunds is amended and reflects the position prior to April 2014.

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DYFED PENSION FUND COMMITTEE
Date 08/10/2021

Risk Register 2021-2022 **To ensure that all risks are correctly identified and assessed**
Recommendations / key decisions required: To advise the Committee that the risk register for 2021-2022 has been reviewed to ensure risks are identified and assessed.
Reasons: To ensure all risks are correctly identified and assessed.
Relevant scrutiny committee to be consulted: NA
Cabinet Decision Required : NA Council Decision Required : NA

CABINET MEMBER PORTFOLIO HOLDER:- NA		
Directorate: Corporate Services Name of Head of Service: Chris Moore Report Author: Chris Moore	Designations: Director of Corporate Services, Carmarthenshire County Council	Tel Nos. 01267 224120 E Mail Address: CMoore@carmarthenshire.gov.uk

Cyngor Sir Gâr
Carmarthenshire County Council

EXECUTIVE SUMMARY
DYFED PENSION FUND COMMITTEE
DATE 08/10/2021

Risk Register 2021-2022	
The Risk Register is a working document that highlights all the risks identified in relation to the functions of the Dyfed Pension Fund. This is regularly monitored and reviewed. The register includes: • Details of all identified risks • Assessment of the potential impact, probability and risk rating • The risk control measures that are in place • The responsible officer • Target Date (if applicable) The risks have been reviewed and there have been no changes to the Risk Register since the previous Committee meeting.	
DETAILED REPORT ATTACHED?	**YES**

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report:

Signed: C Moore **Director of Corporate Services**

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	**NONE**	**NONE**	**NONE**	**YES**	**NONE**	**NONE**

Risk Management Issues

The register is used to identify any risks relating to the functions of the Dyfed Pension Fund and highlights what measures are in place to mitigate these risks. Failure to manage the risks correctly could result in the Fund not meeting its objectives.

Cyngor Sir Gâr
Carmarthenshire County Council

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below **Signed: C Moore** **Director of Corporate Services**	
1. Scrutiny Committee NA **2.Local Member(s) NA** **3.Community / Town Council NA** **4.Relevant Partners NA** **5.Staff Side Representatives and other Organisations NA**	
CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED NA	

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE

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Risk Register 2021-22

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **29 September, 2021**

Risk **(Threat to achievement of business objective)**	**Assessment of Uncontrolled Risk (Assume NO Controls in place)**			**Controls**	**Assigned To**	**Target Date** **Priority**	**Assessment of Controlled Risk (Assume CONTROLLED Controls in place)**		
	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
CSV400001 - Failure to comply with LGPS regulations as well as other overriding regulations	Substantial 4	Unlikely 2	Medium 8	• **Altair Development Officer undertakes Altair system checks to ensure compliance with LGPS regulations** *Implemented*	Pensions Manager		Substantial 4	Improbable 1	Low 4
				• **Network Groups (Altair & LGPC)** *Implemented*	Pensions Manager				
				• **Communication & Training Officer** Communication & Training Officer responsible for the maintenance of Online Procedure manuals, and the provision of training to all section staff and employing bodies via site visits. *Implemented*	Pensions Manager				
				• **Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements** *Implemented*	Pensions Manager				

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Technical Officer ensures legislative accuracy of calculations** *Implemented*	Pensions Manager				
CSV400002 - Failure to respond to major change to the LGPS following Public Sector Pension Review	Substantial 4	Possible 3	High 12	• **Participation in all high level Government discussions and consultations** *Implemented* • **Ensure best practice is implemented and DPF is seen as a centre of excellence for pension administration** *Implemented* • **Continue to be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager Pensions Manager		Substantial 4	Improbable 1	Low 4

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Society of Welsh Treasurers review the suitability of existing and any new pension fund arrangements** *Implemented* • **CIPFA Pensions Network membership** *Implemented* • **Technical Officer ensures legislative accuracy of calculations** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager				
CSV400003 - Failure to process accurate pension benefits payments, including lump sum payments, in a timely manner	Significant 3	Unlikely 2	Medium 6	• **Segregation of duties and authorisation of benefits** following calculation by Senior Pensions Officer *Implemented*	Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Altair Development Officer is responsible for regular system checks regarding calculations** *Implemented*	Pensions Manager				
				• **Communication&Training Officer liaises closely with all employing authorities to ensure timely submission of information to DPF** *Implemented*	Pensions Manager				
				• **Payroll deadline procedures in place** *Implemented*	Pensions Manager				
				• **Item in Business Continuity/Disaster Recovery Plan** *Implemented*	Pensions Manager				
				• **Participate in National Fraud Initiative (NFI)** *Implemented*	Pensions Manager				

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Life Certificates exercise carried out for all cheque payments** *Implemented* • **Undertake reviews of monthly performance to ensure service standards are maintained** *Implemented* • **IT Contingency/Resilience Plan in place** *Implemented*	Pensions Manager Pensions Manager Pensions Manager				
CSV400004 - Failure to collect and account for full receipt of contributions from employers and employees on time Failure to collect full receipt of pension contributions from employees and employers in line with Regulation guidelines. Failure of employers' financial systems; absence of key staff; failure to communicate with employers effectively; failure of key systems such as on-line banking and/or financial	Substantial 4	Possible 3	High 12	• **Contributions monitoring procedures** *Implemented* • **Formal timescales for receipt of contributions** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
ledger. Possible adverse audit opinion; negative cash flow position; delays in producing IAS19 accounting reports; delays in closure of year end accounts; employers forced to leave the scheme.				• **Budget set and monthly monitoring against the budget** *Implemented* • **Escalation of non receipt of contributions** *Implemented* • **Systems Audit undertaken by Internal Audit and External Auditors** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager				
CSV400005 - Failure to keep pension records up to date and accurate	Significant 3	Possible 3	Medium 9	• **Senior Officers liaise closely with employing authorities** to ensure timely and accurate submission of data to DPF *Implemented*	Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis** *Implemented*	Pensions Manager				
				• **Data accuracy checks undertaken by the pension section prior to continual validation on workflow system** *Implemented*	Pensions Manager				
				• **Data integrity validation is performed monthly by Altair Development Officer** *Implemented*	Pensions Manager				
				• **Data validation checks also undertaken by the DPF's partners (e.g.the Actuary at Valuation)** *Implemented*	Pensions Manager				
				• **Additional validation carried out through NFI** *Implemented*	Pensions Manager				

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Opportunity to escalate non-compliance** *Implemented*	Pensions Manager				
CSV400006 - Failure to hold personal data securely	Substantial 4	Unlikely 2	Medium 8	• **Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls** *Implemented* • **Disaster Recovery Plan for pensions system** *Implemented* • **Authorised users have unique usernames and passwords must be changed every 60 days** *Implemented* • **Documentation is scanned on to the pensions system** and paper copies are held for a period of 3 months before shredding *Implemented*	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Compliance with the Data Protection Act 1998** *Implemented* • **Compliance with the Authority's in-house IT policies** *Implemented* • **Systems and Payroll audit undertaken annually** *Implemented*	Pensions Manager Pensions Manager Pensions Manager				
CSV400007 - Loss of funds through fraud or misappropriation in administration related functions	Substantial 4	Unlikely 2	Medium 8	• **Internal and external audit checks performed to ensure that appropriate and effective controls are in place** *Implemented* • **Segregation of duties and authorisation of benefits following calcualtion by Senior Pensions Officer and Pensions Officer** *Implemented*	Pensions Manager Pensions Manager		Moderate 2	Unlikely 2	Low 4

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Altair Development Officer undertakes data integrity checks** *Implemented* • **Systems and Payroll audit undertaken annually** *Implemented*	Pensions Manager Pensions Manager				
CSV400008 - Normal operations disrupted by uncontrollable external factors Service delivery threats from fire, bomb, extreme weather, electrical faults etc. Insufficient daily back up, disaster recovery, and IT cover to support systems. Temporary loss of ability to provide service to stakeholders.	Substantial 4	Possible 3	High 12	• **Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls** *Implemented* • **Disaster Recovery Plan for pensions system with the software provider** *Implemented* • **Pension Software is a hosted system provided by Aquila Heywood and is a tier 4 design data centre with ISO27001 accreditation.** *Implemented*	Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
CSV400009 - Inability to keep service going due to loss of main office, computer system, or staff	Moderate 2	Unlikely 2	Low 4	• **Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls** *Implemented* • **Pension Software is a hosted system provided by Aquila Heywood and is a tier 4 design data centre with ISO27001 accreditation.** *Implemented*	Pensions Manager Pensions Manager		Moderate 2	Improbable 1	Very Low 2
CSV400010 - Lack of expertise among some Pension Administration officers	Significant 3	Unlikely 2	Medium 6	• **Personal development plan in place to support the development of each officer in the Section** *Implemented* • **Specific courses / seminars attended by officers to further their knowledge and understanding** *Implemented*	Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
CSV400011 - Over reliance on key Pensions Administration and Investment Officers Specialist nature of the work means there are relatively few experts in Investments and the Local Authority Pensions Regulations. Significant knowledge gap left if experts leave.	Significant 3	Possible 3	Medium 9	• **Key officers convey specialist knowledge to colleagues on a function or topicbasis by mentoring** *Implemented* • **Enhance training by bespoke sessions / courses / workshops** *Implemented* • **Specific relevant qualifications for administration and investment staff** *Implemented* • **External consultants and independent adviser available for short term assistance** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
CSV400012 - Failure to appropriately attract, manage, develop, and retain staff at all levels	Substantial 4	Unlikely 2	Medium 8	• **Training and Development Plan established** *Implemented*	Pensions Manager		Substantial 4	Improbable 1	Low 4
CSV400013 - Failure to communicate properly with stakeholders Lack of clear communications. Scheme members are not aware of their rights and entitlements, are distanced from the Fund, which could lead to a reduction in new members and an increase in leavers. Communication with investment managers, custodian, independent adviser, fund employers, pensioners, scheme members, actuary and government organisations.	Significant 3	Unlikely 2	Medium 6	• **Dedicated Communication & Training Officer post established** Dedicated Communication & Training Officer will continue to fulfil all the communication requirements of the DPF, in accordance with the Communications Policy Statement *Implemented* • **Comprehensive website is continually updated and developed** *Implemented* • **My Pension Online is used to enhance the service provided to scheme members** *Implemented*	Pensions Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Quarterly meetings with independent adviser and investment managers** *Implemented*	Treasury & Pensions Investments Manager				
				• **Communications Policy in place** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager				
				• **Annual Employer & Consultative Meeting** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager				
CSV400014 - No appropriate procedures for Employer bodies transferring out of the pension fund or Employer bodies closing to new membership	Significant 3	Possible 3	Medium 9	• **Inter valuation monitoring and rate reassessment if appropriate** *Implemented*	Pensions Manager		Significant 3	Unlikely 2	Medium 6

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Identification of any issue and resolution via regular site visits by Communication & Training Officer** *Implemented* • **Requirement for employing authorities to issue termination forms for each active member** *Implemented* • **Validation of membership numbers** *Implemented* • **Employer covenant checks** *Implemented*	Pensions Manager Pensions Manager Pensions Manager Pensions Manager				
CSV400015 - Liquidity/cashflow risk - insufficient funds to meet liabilities as they fall due Failure of employers to pay contributions on time; low dividend income; significant number of liabilities paid out at the same time.	Substantial 4	Possible 3	High 12	• **Monthly cash and dividend reconciliations** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
Immediate cash contribution would be required via employers; delay in the payment of promised liabilities; negative publicity and an adverse audit report.				• **Quarterly monitoring of investment managers by Pension Committee** *Implemented* • **Appointment of custodian** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager				
CSV400016 - Loss of funds through fraud or misappropriation in investment related functions Fraud or misappropriation of funds by an employer, investment managers or custodian. Financial loss to the fund.	Substantial 4	Possible 3	High 12	• **Internal and External Audit regularly test that appropriate controls are in place and working** *Implemented* • **Regulatory control reports from investment managers, custodian, etc., are also reviewed by audit.** *Implemented* • **Due diligence is carried out whenever a new manager is appointed.** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

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				• **Reliance also placed in Financial Conduct Authority registration.** *Implemented* • **Quarterly monitoring by Pension Committee and Independent Adviser** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager				
CSV400017 - Excessive levels of Pension Fund Cash held within Carmarthenshire County Council investment balances High dividend / interest receipts and low benefit payments being made in period. Lower cash like return instead of equity or bond investment returns.	Significant 3	Unlikely 2	Medium 6	• **Monthly cash reconciliations and separate pension fund bank accounts** *Implemented* • **Quarterly monitoring by Pension Fund Committee** *Implemented* • **Internal Audit and Wales Audit Office review** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Improbable 1	Very Low 3

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CSV400018 - Significant rises in employer contributions due to increases in liabilities or fall in assets Scheme liabilities increase disproportionately as a result of increased longevity or falling bond yields. Poor economic conditions, incorrect investment strategy, poor selection of investment managers. Poor / negative returns leading to potential increase in employer's costs.	Substantial 4	Likely 4	Significant 16	• **Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy** *Implemented* • **Quarterly monitoring of investment managers by Pension Committee** *Implemented* • **Diversified Strategic Asset Allocation** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9
CSV400019 - Lack of expertise on Pension Fund Committee and/or amongst Officers Lack of training, continuous professional development and 4 year election cycle. Flawed recommendations given to Pension Fund Committee which, unchallenged, could lead to incorrect decisions being made.	Significant 3	Likely 4	High 12	• **Ensure Officers are trained and up to date in key areas through courses, seminars, reading, discussions with consultants, etc.** *Implemented*	Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9

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				• **Members given induction training on joining Committee with subsequent opportunities to attend other specialist training.** *Implemented* • **Members' training plan and Governance Policy established** *Implemented* • **Specialist assistance available from consultants and independent adviser** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager				
CSV400020 - Failure of Investment Strategy to deliver investment objectives Inaccurate triennial valuation assumptions used. Incorrect recovery period used. Funding level decreases; employer contribution rates become unacceptable, causing potentail increase in employer's costs.	Significant 3	Likely 4	High 12	• **Qualified Actuary makes assumptions and recommends appropriate recovery period and strategy.** *Implemented* • **Independent Investment adviser employed to assist the committee in making informed decisions.** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9

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CSV400021 - Prolonged failure of investment managers to achieve the returns specified on their mandates Under-performance by the investment managers; lack of monitoring and challenging by the Committee.	Substantial 4	Likely 4	Significant 16	• **Quarterly monitoring of investment managers and performance company reports by investment team and Pension Committee** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400022 - Concentration risk - single asset class having disproportionate impact on investment objectives Risk of the performance of a single asset class having a disproportionate impact on the ability to meeting investment objectives. Inappropriate investment strategy following the triennial valuation, including lack of diversification. Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.	Substantial 4	Possible 3	High 12	• **Establish & review diversified strategic asset allocation** *Implemented* • **Proactive in decision making** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400023 - Counterparty risk - risk of other party in a transaction failing to meet its obligation to the fund This arises from deposits held with banks and other financial institutions, as	Substantial 4	Possible 3	High 12	• **Set appropriate parameters with fund managers and custodian to limit exposure to default risk** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

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well as credit exposures to the fund's members and employers. Loss of capital; decrease in asset values; cost of legal proceedings; adverse publicity.									
CSV400024 - Interest rate risk Arises from risk of exposure to significant interest rate movements on investments. Bond yields and cash decrease in value.	Substantial 4	Possible 3	High 12	• **Establish & review diversified strategic asset allocation** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400025 - Discount rate risk Use of inappropriate discount rate to estimate future liabilities. Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.	Substantial 4	Possible 3	High 12	• **Engage qualified actuary to make assumptions** *Implemented* • **Engage independent adviser to assist the committee in making informed decisions** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400026 - Price risk The equity investments held exposes the fund to risk in relation to the market price of its investments.	Substantial 4	Possible 3	High 12	• **Establish & review a diversified strategic asset allocation.** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

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Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.				• **Anticipate long term returns on a prudent basis.** *Implemented*	Treasury & Pensions Investments Manager				
CSV400027 - Foreign exchange risk The fund holds financial assets and liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to currency fluctuation. Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.	Substantial 4	Possible 3	High 12	• **Establish & review diversified (within regions) strategic asset allocation** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400028 - Failure to meet statutory deadlines leading to qualification of the accounts Lack of planning for closure of accounts; lack of training; loss of expert knowledge. Qualified audit report; potential bad publicity; members' loss of confidence on officers' abilities.	Substantial 4	Possible 3	High 12	• **Timetabled Audit Committee cycles** *Implemented* • **Liaise with external audit** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register 2021-22

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **29 September, 2021**

Risk **(Threat to achievement of business objective)**	**Assessment of Uncontrolled Risk (Assume NO Controls in place)**			**Controls**	**Assigned To**	**Target Date Priority**	**Assessment of Controlled Risk (Assume CONTROLLED Controls in place)**		
	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Establish closedown timetable** *Implemented* • **Establish WAO working paper guidance & planning document** *Implemented* • **Excellent time management skills** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager				
CSV400029 - Adequate skilled resources not available for accounts preparation Lack of training; loss of expert knowledge; annual or study leave. Qualified audit report; unsatisfactory internal audit report; failure to meet statutory closure deadlines; employee stress.	Significant 3	Likely 4	High 12	• **Appropriate Treasury & Pension Investments structure in place** *Implemented* • **Arrange training courses and seminars, and mentoring** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9

Risk Register 2021-22

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **29 September, 2021**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)			Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
CSV400030 - Failure to recover all debts Lack of communication between fund officers and administering authority officers (debtors); lack of monitoring / recovery procedures. Loss of income to the Fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to Fund employers	Substantial 4	Likely 4	Significant 16	• **Use of specialist debt recovery section within the administering authority** *Implemented* • **Monthly monitoring of debts due** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager		Moderate 2	Improbable 1	Very Low 2
CSV400031 - Officers acting outside delegated authority Threat of officers making unauthorised decisions or payments. Loss of income to fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers	Substantial 4	Unlikely 2	Medium 8	• **Undertake regular review of Standing Orders & Constitution** *Implemented* • **Report to Executive Board** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Improbable 1	Low 4

Risk Register 2021-22

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **29 September, 2021**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO Controls in place)			Controls	Assigned To	Target Date Priority	Assessment of Controlled Risk (Assume CONTROLLED Controls in place)		
	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Monitoring officer role** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager				
CSV400032 - Non-performance by Officers and Committee Members Lack of training for officers and members; turnover in officers and members; lack of appraisals; lack of PI monitoring; time constraints for members; conflicting deadlines for officers. Qualified audit report; potential bad publicity; members' loss of confidence in officers' abilities; excessive pressure on officers; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers	Substantial 4	Possible 3	High 12	• **Establish performance measurement system** *Implemented* • **Pension Committee member assessments** *Implemented* • **Officer appraisals in October and March annually** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register 2021-22

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **29 September, 2021**

Risk **(Threat to achievement of business objective)**	**Assessment of Uncontrolled Risk (Assume NO Controls in place)**			**Controls**	**Assigned To**	**Target Date Priority**	**Assessment of Controlled Risk (Assume CONTROLLED Controls in place)**		
	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Regular internal and external audits** *Implemented* • **Establish & review training plan for officers and members** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager				
CSV400033 - Failure to operate strict financial and budgetary controls Lack of regular budget monitoring and budget setting; lack of communication between admin and investment sections; lack of scrutiny of investment managers', consultants', and advisers' fees. Unexpected variances over budget headings; members' loss of confidence in officers' abilities; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.	Substantial 4	Possible 3	High 12	• **Quarterly monitoring of budgets** *Implemented* • **Quarterly forecasting and profiling of budgets** *Implemented* • **Closure of accounts to Audit Committee** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register 2021-22

Organisation/Department/Function/Project: **Dyfed Pension Fund**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **29 September, 2021**

Risk **(Threat to achievement of business objective)**	**Assessment of Uncontrolled Risk (Assume NO Controls in place)**			**Controls**	**Assigned To**	**Target Date Priority**	**Assessment of Controlled Risk (Assume CONTROLLED Controls in place)**		
	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Monthly reconciliations of contributions, dividends, and pension payroll** *Implemented*	Treasury & Pensions Investments Manager				
CSV400034 - Insufficient resources to provide information requirements for the Wales Pension Partnership on the management of the fund	Substantial 4	Possible 3	High 12	• **Staffing resources to be kept under review to ensure the Fund's interests are properly met** when developing investment pooling arrangements *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400035 - Coronavirus - COVID19 Service delivery threats from COVID-19 and / or similar pandemics. Insufficient daily back up, disaster recovery, and IT cover to support systems and staff. Temporary loss of ability to provide service to stakeholders.	Substantial 4	Possible 3	High 12	• **Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls.** Remote working arrangements with access to key systems through CCC IT equipment and software. *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6

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Wales Pension Partnership

Joint Governance Committee

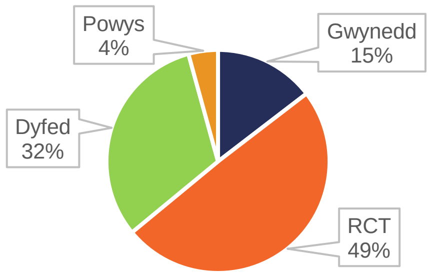
22nd September 2021

Agenda Item 4.11

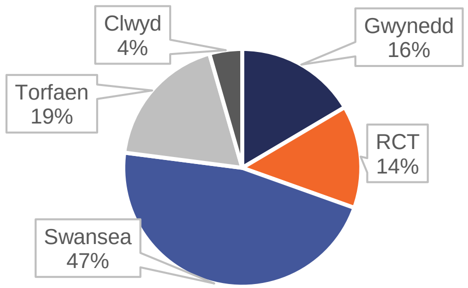
June 2021 LF Wales PP Fund Snapshot

Key:
- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- Cardiff

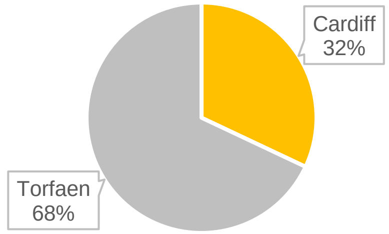
Global Growth



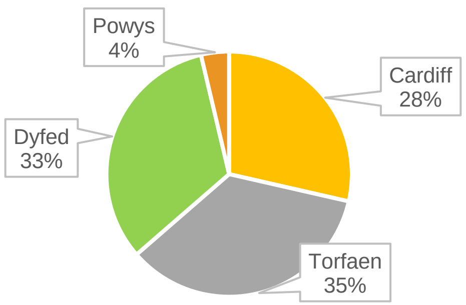
Global Opportunities



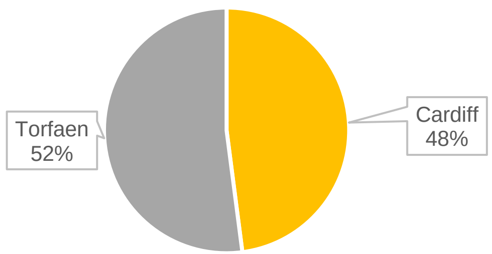
UK Opportunities



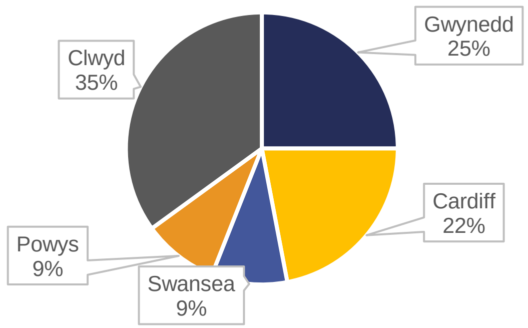
Global Credit



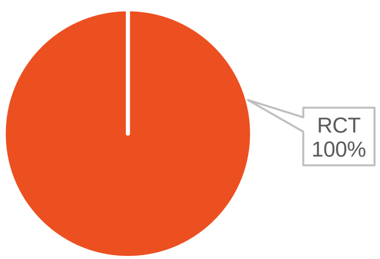
Global Gov. Bond



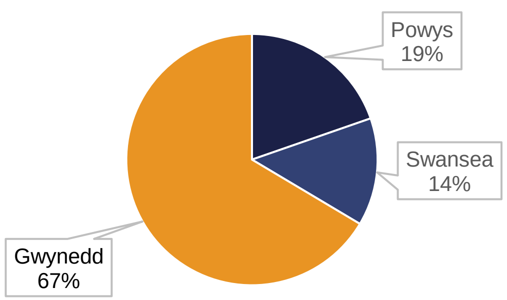
Multi Asset Credit



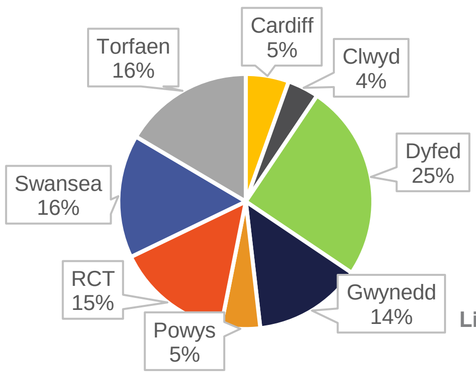
Sterling Credit



Absolute Return Bnd



Passive



June 2021 LF Wales PP Fund Snapshot

Fund	AUM	Inception date
Global Growth	£3,208,540,164	6th Feb 2019
Global Opportunities	£2,792,178,410	14th Feb 2019
UK Opportunities	£751,880,470	10th Oct 2019
Global Credit	£810,037,012	21st Aug 2020
Global Government Bond	£530,955,066	20th Aug 2020
Multi Asset Credit	£714,417,901	12th Aug 2020
Sterling Credit	£563,785,051	19th Aug 2020
Absolute Return Bond	£460,885,763	30th Sept 2020
Total Active Investments	**£9,832,679,837**	
Total Passive Investments	**£5,274,037,932**	
Total Pooled Assets	**£15,106,717,769**	

Note: All data as at 30th June 2021

Fund Launch Progress Report

Tranche 4 & other updates

Open Launch Activity

Key Achievements & Updates

Fund Launches Progress				
	Overview	**Status**	**Progress in period**	**Launch / completion dates**
Tranche 4: **Emerging Markets sub-fund launch**	▪ Emerging Market fund to be created under the Enhanced Portfolio Implementation model with a carbon reducing overlay	In progress	▪ FCA approval received 22nd March ▪ Operational setup underway for launch end in October ▪ Transition plan under review ▪ Revised launch date 20th October	October 2021
Fund prospectus updates	▪ Proposed in-flight prospectus updates		▪ Review of prospectus language to align all sub funds under PS19/4 requirements - LFS to determine if this will require filing or full FCA approval (in line with other updates) ▪ Baillie Gifford GAPA: implementation of a carbon screening process on the BG sleeve of the GG fund	Q3

LFS Corporate Update & Engagement

LFS Corporate Update & Engagement

LFS updates

- Duncan Lowman, Head of Client Coverage has left Link Fund Solutions Ltd on July 6th 2021 to join another financial services organisation (asset services)

Key Q2 and future WPP Engagement

Link attendance at OWG/JGC meetings in period:

- OWG 4th May 2021

Link attendance at OWG/JGC meetings in next quarter:

- JGC 28th July 2021
- OWG 19th July 2021

Link - Pension Committee attendance in period:

- None

Link - Pension Committee attendance in next quarter :

- None planned

Other meetings in period

- Pension Board Chairs – 29th April
- Operator review meeting – 18th May 2021 & 29th June 2021
- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly

LFS Engagement Protocol

Business as Usual

Strategic Relationship Review	Frequency	Objective
	▪ Bi-annual	▪ Ensure strategic alignment between Host Authority and Link
WPP Attendees ▪ Chris Moore ▪ Anthony Parnell ▪ Two Section 151 / Deputy Section 151 officers		**Link Attendees** ▪ Karl Midl, Managing Director ▪ Richard Thornton, Head of Relationship Management, Asset Owners

JGC Engagement	Frequency	Objective
	▪ Quarterly	▪ Engage with JGC on pertinent matters and strategic deliverables
WPP Attendees ▪ Joint Governance Committee (JGC)		**Link Attendees** ▪ Karl Midl, Managing Director / Adam Tookey, Head of Product – as required ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Eamonn Gough, Senior Relationship Manager ▪ Russell Investments

OWG Engagement	Frequency	Objective
	▪ Every 2 Months	▪ Identify and deliver on opportunities to improve and expand the relationship ▪ Provide update on open projects or issues ▪ Monthly KPI Review (Data supplied monthly)
WPP Attendees ▪ Officers Working Group (OWG)		**Link Attendees** ▪ Eamonn Gough, Senior Relationship Manager ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Adam Tookey, Head of Product (as required) ▪ Alistair Coyle, Relationship Manager (as required) ▪ Ad-hoc Link attendance from functional departments: Tax, Compliance, Product, etc. ▪ Russell Investments

Note: The OWG Engagement and Monthly KPI meetings may be conducted remotely and/or amalgamated where required.

Link Engagement Protocol continued…

Business as Usual

Host Authority Update	Frequency	Objective
	▪ Bi-Weekly	▪ Regular Host Authority – LFS to discuss deliverables and business updates
WPP Attendees ▪ Anthony Parnell ▪ Tracey Williams		▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Eamonn Gough, Senior Relationship Manager ▪ Alistair Coyle, Relationship Manager (as required) ▪ Clair Baguley, Client Service Manager (as required)

WPP Working Group	Frequency	Objective
	▪ Bi-Weekly	▪ Regular project call to discuss progress of deliverables
WPP Attendees ▪ Officers Working Group (OWG) ▪ Hymans		▪ Link Client Team ▪ Northern Trust ▪ Russell Investments ▪ Other consultants (e.g. bFinance)

Annual Shareholder Day	Frequency	Objective
	▪ Annual	▪ Open day for presentations on strategy and performance (with IM)
▪ Open to all involved parties		▪ Link Client Team ▪ Northern Trust ▪ Russell Investments and other Investment Managers (e.g. Global Growth Managers) ▪ Other consultants as required (e.g. bFinance)

Pension Fund Committees		Objective
	▪ Annual	▪ General update on the ACS and planned initiatives
▪ Individual Pension Fund Committee meetings		▪ Eamonn Gough, Senior Relationship Manager ▪ Alistair Coyle, Relationship Manager ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Russell Investments

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DYFED PENSION FUND

Committee Members and Officers Training 2021-2022

Committee Members

Councillor Elwyn Williams (EW) – Chair
Councillor Deryk Cundy (DC) – Committee Member
Councillor Jim Jones (JJ) – Committee Member
Councillor Dai Thomas (DT) – Substitute Committee Member

Officers

Chris Moore (CM) – Director of Corporate Services
Randal Hemingway (RH) – Head of Financial Services
Anthony Parnell (AP) – Treasury & Pension Investments Manager
Kevin Gerard (KG) – Pensions Manager
Martin Morgan (MM) – Deputy Pensions Manager
Martin Owens (MO) – Pension Investment Officer

Date	Subject	Provider	Venue	Attendees
14 May 2021	Schroders Training & Briefing Session	Schroders	Virtual Meeting	RH, AP, MO, EW, DC & DT
18 - 19 May 2021	LA Conference	PLSA	Virtual Meeting	All members & officers
14 June 2021	BlackRock Training & Briefing Session	BlackRock	Virtual Meeting	CM, RH, AP, MO, EW, JJ & DC
16 June 2021	Committee Meeting		Virtual Meeting	CM, RH, AP, KG, MO & all members
5 – 7 July 2021	Strategic Investment Forum	LAPF	The Grove Hotel, Herts	AP
14 July 2021	Business Meeting	LAPFF	Virtual Meeting	AP & EW
8 - 9 September 2021	Investment Summit	LGC	Leeds	AP, EW & DT
6 October 2021	AGM & Business Meeting	LAPFF	Virtual Meeting	AP & EW
7 October 2021	ACM		Virtual Meeting	All members & officers
8 October 2021	Committee Meeting		Virtual Meeting	CM, RH, AP, KG, MO & all members

26 October 2021	Fundamentals Training	LGPC	Cardiff	DC & DT
16 – 17 November 2021	Pension Managers Conference	SWPE	TBC	KG & MM
23 November 2021	Fundamentals Training	LGPC	Cardiff	DC & DT
3 December 2021	Committee Meeting		Virtual Meeting	CM, RH, AP, KG, MO & all members
8 – 10 December 2021	Annual Conference	LAPFF	Bournemouth	CM & DC
15 December 2021	Fundamentals Training	LGPC	Cardiff	DC & DT
January 2022 (tbc)	Pension Fund Accounts	CIPFA	London	MO
26 January 2022	ESG issues	LAPFF	London	AP & DC
29 March 2022	Committee Meeting		Carmarthen	CM, RH, AP, KG, MO & all members

Note: The Committee reserves the right to occasionally vary the attendees at the training sessions. Courses/conferences may arise at short notice and when this occurs the Director of Corporate Services has the authority to approve attendance with Cabinet /Leader being notified retrospectively.

DYFED PENSION FUND PENSION BOARD
DATE 09/11/2021

Pension Board Work Plan 2022

Recommendations / key decisions required:

The Board to approve the Pension Board Work Plan for 2022.

Reasons:

To provide the Board with the Work Plan for 2022.

Relevant scrutiny committee to be consulted

NA

Cabinet Decision Required	NA
Council Decision Required	NA

CABINET MEMBER PORTFOLIO HOLDER:- NA

Directorate: Name of Head of Service: Chris Moore Report Author: Chris Moore	Designations: Director of Corporate Services	Tel: 01267 224120 Email addresses: CMoore@carmarthenshire.gov.uk

Cyngor Sir Gâr
Carmarthenshire County Council

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
DATE 09/11/2021

Pension Board Work Plan 2022	
The attached report outlines the work of the Pension Board throughout 2022 and the items to be presented at each meeting. The Work Plan is reviewed at each Board meeting and is revised as necessary.	
DETAILED REPORT ATTACHED?	**YES**

Cyngor **Sir Gâr**
Carmarthenshire
County Council

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :
Signed: C Moore Director of Corporate Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	**NONE**	**NONE**	**NONE**	**NONE**	**NONE**	**NONE**

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below **Signed: C Moore**   **Director of Corporate Services**

1. Scrutiny Committee

NA

2.Local Member(s)

NA

3.Community / Town Council

NA

4.Relevant Partners

NA

5.Staff Side Representatives and other Organisations

NA

CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED	**Include any observations here**
NA	

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE

Title of Document	File Ref No.	Locations that the papers are available for public inspection

Cyngor Sir Gâr
Carmarthenshire County Council

Dyfed Pension Fund Pension Board 2022 Work Plan (January to December)

	January 2022	April 2022	July 2022	November 2022
Pension Fund Committee meetings	3 December 2021	29 March 2022	June 2022	October 2022
Investments	> Independent Investment Adviser report > Performance Report - 30/09/21	> Independent Investment Adviser report > Performance Report - 31/12/21	> Independent Investment Adviser report > Performance Report - 31/03/22	> Independent Investment Adviser report > Performance Report - 30/06/22
Administration	> Administration update	> Administration update	> Administration update	> Administration update
Governance	> Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log > Declaration of Interest	> Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log > Declaration of Interest > DPF Business Plan 2022/23	> Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log > Declaration of Interest	> Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log > Declaration of Interest > 2023 Work Plan
Audit & Risk Management	> Risk Register > Internal Audit reports	> Risk Register > Internal Audit reports > AW Audit Plan 2022	> Risk Register > Internal Audit reports	> Risk Register > Internal Audit reports
Accounts & Budget	> DPF Budget Monitoring > Pension Board Budget Monitoring > Pension Board Budget 2022/23	> DPF Budget Monitoring > Pension Board Budget Monitoring > DPF Budget 2022/23	> DPF Budget Monitoring > Pension Board Budget Monitoring	> DPF Budget Monitoring > Pension Board Budget Monitoring > Statement of Accounts 2021/22 > Audit of Accounts Report (ISA 260)
Training	> Training programme	> Training programme > Training Needs Analysis 2022/23	> Training programme	> Training programme

Timings may change, depending on timing of items going to the Pension Committee meetings

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DYFED PENSION FUND PENSION BOARD
DATE 09/11/2021

Pension Board Budget Monitoring 1 April 2021 – 30 September 2021

Recommendations / key decisions required:
The Board to receive the Pension Board Budget Monitoring report for the period 1 April 2021 – 30 September 2021

Reasons:
To provide the Board with the budgetary position as at 30 September 2021.

Relevant scrutiny committee to be consulted

NA

Cabinet Decision Required	NA
Council Decision Required	NA

CABINET MEMBER PORTFOLIO HOLDER:- NA

Directorate:	Designations:	Tel: 01267 224120
Name of Head of Service: Chris Moore Report Author: Chris Moore	Director of Corporate Services	Email addresses: CMoore@carmarthenshire.gov.uk

Cyngor Sir Gâr
Carmarthenshire County Council

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
DATE 09/11/2021

Pension Board Budget Monitoring 1 April 2021 – 30 September 2021	
The position as at 30 September 2021 was a total actual expenditure incurred of £3,145. The forecasted expenditure for the year is a £4.6k underspend compared to budget.	
DETAILED REPORT ATTACHED?	**YES**

Cyngor **Sir Gâr**
Carmarthenshire
County Council

IMPLICATIONS

I confirm that other than those implications which have been agreed with the appropriate Directors / Heads of Service and are referred to in detail below, there are no other implications associated with this report :

Signed: C Moore Director of Corporate Services

Policy, Crime & Disorder and Equalities	Legal	Finance	ICT	Risk Management Issues	Staffing Implications	Physical Assets
NONE	**NONE**	**YES**	**NONE**	**NONE**	**NONE**	**NONE**

Finance
The report provides the Pension Board budget position as at 30 September 2021. Forecasted expenditure for the year is £4.6k under budget.

Cyngor **Sir Gâr**
Carmarthenshire
County Council

CONSULTATIONS

I confirm that the appropriate consultations have taken in place and the outcomes are as detailed below **Signed:** C Moore — Director of Corporate Services	
1. Scrutiny Committee NA **2.Local Member(s)** NA **3.Community / Town Council** NA **4.Relevant Partners** NA **5.Staff Side Representatives and other Organisations** NA	
CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED NA	**Include any observations here**

Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:

THERE ARE NONE

Title of Document	File Ref No.	Locations that the papers are available for public inspection

Cyngor Sir Gâr
Carmarthenshire County Council

Dyfed Pension Board

Budget Monitoring Report

1 April 2021 - 30 September 2021

	Budget 2021-22 £	Actual expenditure £	Forecast Commitments £	Forecast expenditure at year end £	End of year variance £	%	Assumptions/Comments
Chair Annual Fee	12,000	3,000	9,000	12,000	0	0.0	New contract commenced 1 April 2021
Training costs	4,000	145	750	895	-3,105	-77.6	
Travel, Subsistence & Miscellaneous Expenses	2,000	0	500	500	-1,500	-75.0	
Liability Insurance	6,160	0	6,160	6,160	0	0.0	
Expenditure	24,160	3,145	16,410	19,555	-4,605	-19%	

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