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Cyngor **Sir Gâr**
Carmarthenshire
County Council

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TUESDAY, 11 APRIL 2023

TO: ALL MEMBERS OF THE DYFED PENSION FUND PENSION BOARD

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **DYFED PENSION FUND PENSION BOARD** WHICH WILL BE HELD IN THE **CHAMBER, COUNTY HALL, CARMARTHEN AND REMOTELY AT 2.00 PM, ON TUESDAY, 18TH APRIL, 2023** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA

Wendy Walters

CHIEF EXECUTIVE

PLEASE RECYCLE

Democratic Officer:	**Janine Owen**
Telephone (direct line):	**01267 224030**
E-Mail:	**JanineOwen@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

Michael Evans	**Member Representative**
Paul Ashley-Jones	**Employer Member Representative**
Cllr. Alun Lenny	**Employer Member Representative**
John Jones	**Chair of the Board**
Cllr Wyn Thomas	**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THE REPORTS RELATING TO THE FOLLOWING ITEMS ARE NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT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
THURSDAY, 12 JANUARY 2023

PRESENT: Councillor J. Jones (Chair) **(Virtually);**
Board Members (Virtually):
P. Ashley-Jones - Employer Member Representative;
T. Bowler - Union Member Representative;
M. Evans - Member Representative;
Councillor A. Lenny – Employer Member Representative;

Also present as an observer (Virtually):
Councillor D.E. Williams – Chair of the Dyfed Pension Fund Committee;

Also Present (Virtually):
K. Gerard, Pensions Manager;
A. Parnell, Treasury & Pension Investments Manager;
J. Williams, Assistant Accountant;
K. Thomas, Democratic Services Officer;

Also Present (In Person):
S. Rees, Simultaneous Translator;
M.S. Davies, Democratic Services Officer;
Also in attendance (Virtually):
Mr. A. Brown – Independent Investment Advisor.
Chamber, County Hall, Carmarthen and remotely: 2.00 pm - 3.10 pm

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Gareth Lloyd, Employer Representative and 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 18TH OCTOBER 2022

AGREED that the minutes of the meeting for the Pension Board held on the 18th October 2022 be confirmed as a correct record.

4. DYFED PENSION FUND COMMITTEE MEETING 23 NOVEMBER 2022

The Board received, for consideration and comment, the reports considered by the Dyfed Pension Fund Committee on the 23rd November 2022, as referred to in minutes 4.1- 4.9 below.

4.1. AUDIT OF FINANCIAL STATEMENTS REPORT 2021-22

The Board received the Audit of Financial Statements Report for the Dyfed Pension Fund prepared by Audit Wales 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 2022 and of its income and expenditure for the year end. An unqualified audit report on the financial statements had been issued and the finalised report had been considered by the Audit and Governance Committee on 21st October 2022.

Audit Wales had found that there were no misstatements identified in the financial statements which remained uncorrected. A number of minor presentational errors in the draft financial statements had been corrected by management.

AGREED that the Audit of Financial Statement Report 2021/22 be received.

4.2. BUDGET MONITORING 1 APRIL 2022 - 30 SEPTEMBER 2022

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 2022 – 30th September 2022.

AGREED that the report be noted.

4.3. CASH RECONCILIATION AS AT 30 SEPTEMBER 2022

The Board considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund as at 30th September 2022.

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, GMP reconciliation and workflows.

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

4.5. BREACHES REPORT 2022-23

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.

As there were no implications of the breaches and 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

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 was regularly monitored and reviewed to ensure risks had been identified and assessed. It was reported that there had been no changes since the previous committee meeting.

Agreed that the risk register report be noted.

4.7. WALES PENSION PARTNERSHIP - OPERATOR UPDATE

The Board received an update on the milestones and of the Wales Pension Partnership in relation to the Sub Funds together with a Corporate and Engagement Update including the engagement protocol and key meeting dates.

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

4.8. TRAINING PLAN 2022-2023

The Board received the Dyfed Pension Fund Training Plan for the period 2022-2023 detailing meetings, training events and the members and officers anticipated to attend the events.

AGREED that the Dyfed Pension Fund Training Plan for the period 2022-23 be noted.

4.9. DRAFT MINUTES OF THE PENSION COMMITTEE MEETING 23 NOVEMBER 2022

AGREED that the draft minutes of the meeting of the Dyfed Pension Fund Committee held on the 23rd November 2022 be noted.

5. PENSION BOARD WORK PLAN 2023

The Board considered the Pension Board Workplan for 2023 which outlined the work of the Pension Board throughout 2023 and the items to be presented at each meeting.

AGREED to note the Pension Board Workplan for 2023.

6. PENSION BOARD BUDGET MONITORING 1 APRIL 2022 - 31 DECEMBER 2022

The Board received the Pension Board Budget Monitoring report as at 31st December 2022. Total actual expenditure incurred was £17.2k. The forecasted expenditure for the year was a £2.5k underspend compared to budget.

AGREED that the report be noted.

7. PENSION BOARD BUDGET 2023-24

The Board considered the Dyfed Pension Fund Budget for 2023-24 which was in line with the budget for 2022-23.

AGREED that the Budget for 2023-24 be approved.

8. 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.

9. INDEPENDENT ADVISER PERFORMANCE & RISK REPORT AT 30 SEPTEMBER 2022

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

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 30th September 2022 together with the global market background and issues for consideration.

AGREED to note the Independent Investment Adviser Report as at 30th September 2022.

10. NORTHERN TRUST PERFORMANCE REPORT 30 SEPTEMBER 2022

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board received the Northern Trust Performance report for the Dyfed Pension Fund as at 30th September 2022, 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 30th September 2022.

11. INVESTMENT MANAGER REPORTS AT 30 SEPTEMBER 2022

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 8 above, to consider this matter in private, with the public excluded from the meeting

as disclosure would adversely impact upon the Pension Fund by putting investment performance at risk.

The Board received for consideration reports provided by the Investment Managers which set out the performance of each manager as at 30th September 2022:

- BlackRock – Quarterly Report 30 September 2022;
- Schroders – Q3 2022 Investment Report;
- Partners Group – Quarterly Financials 30 September 2022;
- WPP Global Growth Fund – 30 September 2022;
- WPP Global Credit Fund – 30 September 2022.

AGREED to note the Investment Manager reports for the Dyfed Pension Fund.

________________________ __________________
CHAIR **DATE**

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DYFED PENSION FUND PENSION BOARD
18/04/2023

Dyfed Pension Fund Committee Meeting 28 March 2023
Recommendations / key decisions required: The Pension Board to note and comment on the Dyfed Pension Fund Committee meeting on 28 March 2023.
Reasons: To inform the Pension Board of the meeting of the Dyfed Pension Fund Committee that was held on 28 March 2023.
Cabinet Decision Required N/A Council Decision Required N/A

CABINET MEMBER PORTFOLIO HOLDER:- N/A		
Directorate: Corporate Services **Name of Director:** 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

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Carmarthenshire
County Council

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
18/04/2023

Dyfed Pension Fund Committee Meeting 28 March 2023

A Pension Fund Committee meeting was held on 28 March 2023 and the following agenda items were considered and approved:

- Outline Audit Plan 2023
- Budget Monitoring 1 April 2022 – 31 December 2022
- Budget 2023-24
- Cash Reconciliation as at 31 December 2022
- Pensions Administration Report
- Breaches Report 2022-23
- Risk Register
- Draft Funding Strategy Statement
- Business Plan 2023-24
- Wales Pension Partnership Business Plan 2023-2026
- Wales Pension Partnership – operator update
- Training Plan 2022-23 & 2023-24

The draft minutes of the Pension Fund Committee meeting on 28 March 2023 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	**NONE**	**YES**	**NONE**	**YES**	**NONE**	**NONE**

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Finance

Budget Monitoring - Overall, the Fund needs to maintain a positive cash flow balance to meet its obligations. The cash flow projection was positive by £6.9m as at 31 December 2022.

Budget - The report provides an initial view of the Budget for 2023-2024. Overall, the Fund needs to maintain a neutral budget so that there is sufficient income to meet its obligations. An estimated £122.8m income budget is a significant figure to achieve this.

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 request for pre-determination	N/A

2.Local Member(s) N/A

3.Community / Town Council N/A

4.Relevant Partners N/A

5.Staff Side Representatives and other Organisations N/A

CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED	N/A

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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Archwilio Cymru
Audit Wales

Dyfed Pension Fund

Outline Audit Plan 2023

Audit year: 2022-2023

Date issued: March 2023

This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our Statement of Responsibilities.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions. Audit Wales is not a legal entity and itself does not have any functions.

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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.

Mae’r ddogfen hon hefyd ar gael yn Gymraeg.

About Audit Wales

Our aims:

Assure

the people of Wales that public money is well managed

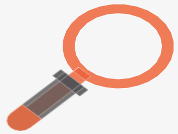
Explain

how public money is being used to meet people's needs

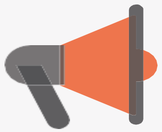
Inspire

and empower the Welsh public sector to improve

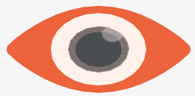
Our ambitions:



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance

Be a model organisation for the public sector in Wales and beyond

Contents

Introduction

This Outline Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice. It also sets out details of my audit team and key dates for delivering my audit team's activities and planned outputs. I intend sharing a Detailed Audit Plan later in the year following the completion of my planning work. It will set out my estimated audit fee and the work my team intends undertaking.

Adrian Crompton

Auditor General for Wales

My audit responsibilities

I am required to certify whether Dyfed Pension Fund's financial statements are 'true and fair'. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund financial statements as a whole.

I also have responsibility to receive questions and objections to the financial statements from local electors.

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to you in my Detailed Audit Plan.

I will report by exception on a number of matters which are set out in more detail in our Statement of Responsibilities.

Fees and audit team

In January 2023 I published the fee scheme for the year, approved by the Senedd Finance Committee. This sets out my fee rates and also highlights the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I will provide an estimate of your fee in my Detailed Audit Plan in the summer, following completion of my detailed risk assessment.

Your engagement team:

Derwyn Owen	**Engagement Director**
Jason Blewitt	**Audit Manager**
David Williams	**Audit Lead**

We confirm that our audit team members are all independent of the Authority and your officers.

Audit timeline

We set out below key dates for delivery of our audit work and planned outputs.

Planned output	Work undertaken	Report finalised
Outline Audit Plan 2023	March 2023	March 2023
Detailed Audit Plan 2023	May to June 2023	June 2023
Audit of financial statements work: • Audit of Financial Statements Report • Opinion on the Financial Statements	October – November 2023	30 November 2023

Audit quality

My commitment to audit quality in Audit Wales is absolute.

I believe that audit quality is about getting things right first-time.

We use a three lines of assurance model to demonstrate how we achieve this.

We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD[1] and our Chair acts as a link to our Board on audit quality. For more information see our Audit Quality Report 2022.

Our People

The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review

Arrangements for achieving audit quality

The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support

Independent assurance

The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

[1] QAD is the Quality Assurance Department of ICAEW.

Appendix 1 – the key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include: • information on your organisation's business model and how it integrates the use of information technology (IT); • information about your organisation's risk assessment process and how your organisation monitors the system of internal control; • more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and • more detailed discussions with your organisation to support the audit team's assessment of inherent risk.
Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT	Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on: • IT applications relevant to financial reporting; • the supporting IT infrastructure (eg the network, databases); • IT processes (eg managing program changes, IT operations); and • the IT personnel involved in the IT processes.

Key change	Potential impact on your organisation
	Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation. On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.
Enhanced requirements relating to exercising professional scepticism	Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.
Risk assessments are scalable depending on the nature and complexity of the audited body	The audit team's expectations regarding the formality of your organisation's policies, procedures, processes, and systems will depend on the complexity of your organisation.
Audit teams may make greater use of technology in the performance of their audit	Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.

Dyfed Pension Fund

Budget Monitoring

1st April 2022 - 31st December 2022

	Budget Type	Actual 2021-2022	Budget 2022-2023	Total income/ expenditure to date	Forecast Commitments	Forecast 2022-2023	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	**92,402**	**93,908**	**72,253**	**23,073**	**95,326**	**1,418**	**1.5**	
Pensions Payable	Controllable	77,006	80,408	60,552	20,274	80,826	418		Marginally higher increase in pensioner membership than budgeted
Commutation and lump sum retirement benefits	Non Controllable	14,169	12,000	10,051	2,449	12,500	500		Payments higher than budgeted
Lump sum death benefits	Non Controllable	1,227	1,500	1,650	350	2,000	500		Payments higher than budgeted
Payments to and account of leavers	Non Controllable	**3,534**	**3,120**	**2,785**	**640**	**3,425**	**305**	**9.8**	
Management Expenses		**9,262**	**10,754**	**5,306**	**4,734**	**10,040**	**-714**	**-6.6**	
Computer Software	Controllable	443	534	196	384	580	46		Additional costs re. McCloud Development
Printing charges	Controllable	11	20	7	13	20	0		
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	46	70	33	24	57	-13		
Fund Managers									
BlackRock	Controllable	1,756	2,850	794	1,306	2,100	-750		SAIF fees projected to be lower than budgeted due to less transaction costs
Schroders	Controllable	659	749	371	380	751	2		
Wales Pension Partnership	Controllable	4,245	4,200	2,030	2,120	4,150	-50		Market values lower than budgeted
Partners Group	Controllable	721	700	304	380	684	-16		Administration and other fees lower than budgeted
Custodian									
Northern Trust	Controllable	31	31	15	16	31	0		
Actuary									
Mercer	Controllable	99	175	178	60	238	63		Additional Costs re. Triennial Valuation
Performance Manager									
Northern Trust / PIRC / CEM	Controllable	23	26	2	24	26	0		
Independent Advisor	Controllable	28	30	21	9	30	0		
Other									
Europlan, LSE, Pension Board	Controllable	26	27	19	8	27	0		
Central recharges	Non Controllable	1,145	1,314	1,314	0	1,314	0		
Audit fees	Controllable	29	28	22	10	32	4		Audit fee not available at budget setting
Controllable Expenditure		**85,122**	**89,848**	**64,544**	**25,008**	**89,552**	**-296**		
Non Controllable Expenditure		**20,076**	**17,934**	**15,800**	**3,439**	**19,239**	**1,305**		
Total Expenditure		**105,198**	**107,782**	**80,344**	**28,447**	**108,791**	**1,009**		
Income									
Contributions									
Employer	Controllable	**-66,168**	**-68,339**	**-60,437**	**-9,660**	**-70,097**	**-1,758**	**2.6**	Higher pay award than estimated. Advance payments made resulting in discounted contributions; Carms CC, Ceredigion CC, Pembs CC and Dyfed Powys Police in 2022-23.
Member	Controllable	**-22,890**	**-23,045**	**-6,943**	**-17,244**	**-24,187**	**-1,142**	**5.0**	Higher pay award than estimated.
Investment Income	Controllable	**-18,436**	**-13,398**	**-14,661**	**-3,279**	**-17,940**	**-4,542**	**33.9**	Includes higher SAIF and Schroders dividend income than budgeted.
Other Income	Controllable	**0**	**0**	**-0**	**0**	**-0**	**-0**	**0.0**	
Transfers in from other pension funds	Non Controllable	**-4,154**	**-3,000**	**-2,988**	**-512**	**-3,500**	**-500**	**16.7**	
Controllable Income		**-107,494**	**-104,782**	**-82,041**	**-30,183**	**-112,224**	**-7,442**		
Non Controllable Income		**-4,154**	**-3,000**	**-2,988**	**-512**	**-3,500**	**-500**		
Total Income		**-111,648**	**-107,782**	**-85,029**	**-30,695**	**-115,724**	**-7,942**		
Controllable Total		**-22,372**	**-14,934**	**-17,497**	**-5,175**	**-22,672**	**-7,738**		
Non Controllable Total		**15,922**	**14,934**	**12,812**	**2,927**	**15,739**	**805**		
Total		**-6,450**	**0**	**-4,685**	**-2,248**	**-6,933**	**-6,933**		
Cash Transfer to Fund Managers	Cash	**14,078**	**0**	**25,000**	**-10,000**	**15,000**	**15,000**		
Net Total of Cash Related Items		**7,628**	**0**	**20,315**	**-12,248**	**8,067**	**8,067**		
Indirect Transactional Management Fees (fees deducted from NAV)	Non Cash	**5,150**	**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 (fees deducted from NAV)	Non Cash	**-5,150**	**-3,500**	**0**	**-3,500**	**-3,500**	**0**	**0.0**	Contra entry to the Indirect transactional fees
Realised gain/loss	Non Cash	**-55,268**	**-50,000**	**4,689**	**0**	**4,689**	**54,689**	**-109.4**	Non Controllable. No impact to cash.
Net Total of Non-Cash Related Items		**-55,268**	**-50,000**	**4,689**	**0**	**4,689**	**54,689**		

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Dyfed Pension Fund

Budget

1st April 2023 - 31st March 2024

	Budget Type	Forecast outturn 2022-2023	Budget 2022-2023	Budget 2023-2024	Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (e)	
Expenditure					
Benefits Payable	Both	**95,326**	**93,908**	**108,932**	
Pensions Payable	Controllable	80,826	80,408	92,432	Budget based on January 2023 pensions payable plus an increase of 10.1% pensions increase (based on Sept 22 CPI) and 2.5% increase for new pensioners and deferreds
Commutation and lump sum retirement benefits	Non Controllable	12,500	12,000	14,000	Budget increased in line with average of previous years' actuals
Lump sum death benefits	Non Controllable	2,000	1,500	2,500	Budget increased in line with average of previous years' actuals
Payments to and account of leavers	Non Controllable	**3,425**	**3,120**	**3,670**	Budget increased in line with average of previous years' actuals
Management Expenses		**10,040**	**10,754**	**10,211**	
Computer Software	Controllable	580	534	500	Budget reduced due to one off renewal fee for Computer Software in 2022-23
Printing charges	Controllable	20	20	20	Budget in line with 2022-23
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	57	70	70	Budget in line with 2022-23
Fund Managers					
BlackRock	Controllable	2,100	2,850	1,600	Budget reduced due to transition to WPP Sustainable Equity Fund in 23-24
Schroders	Controllable	751	749	750	Budget based on 22-23 forecast outturn
Wales Pension Partnership	Controllable	4,150	4,200	4,900	Budget based on 22-23 forecast outturn plus an increase for WPP Sustainable Equity Fund
Partners Group	Controllable	684	700	700	Budget in line with 2022-23
Custodian					
Northern Trust	Controllable	31	31	31	Budget in line with 2022-23
Actuary					
Mercer	Controllable	238	175	125	Budget reduced due to Triennial Valuation fees in 2022-23
Performance Manager					
Northern Trust / PIRC / CEM	Controllable	26	26	26	Budget in line with 2022-23
Independent Advisor					
MJ Hudson	Controllable	30	30	30	Budget in line with 2022-23
Other					
Euraplan, LSE, Pension Board	Controllable	27	27	47	Budget in line with 2022-23
Central recharges	Non Controllable	1,314	1,314	1,380	Based on 2022-23 budget plus increase for pay inflation
Audit fees	Controllable	32	28	32	Budget based on 2022-23 forecast outturn
Controllable Expenditure		**89,552**	**89,848**	**101,263**	
Non Controllable Expenditure		**19,239**	**17,934**	**21,550**	
Total Expenditure		**108,791**	**107,782**	**122,813**	
Income					
Contributions					
Employer	Controllable	**-70,097**	**-68,339**	**-69,522**	Budget based on January 2023 contributions, an increase of 5% for pay award and revised contribution rates following the Triennial Valuation
Member	Controllable	**-24,187**	**-23,045**	**-25,577**	Budget based on January 2023 contributions and an increase of 5% for pay award.
Investment Income	Controllable	**-17,940**	**-13,398**	**-24,214**	Investment income will be called upon as per cash flow requirements. £24.2 million cash required to breakeven.
Transfers in from other pension funds	Non Controllable	**-3,500**	**-3,000**	**-3,500**	Budget increased in line with average of previous years' actuals
Controllable Income		**-112,224**	**-104,782**	**-119,313**	
Non Controllable Income		**-3,500**	**-3,000**	**-3,500**	
Total Income		**-115,724**	**-107,782**	**-122,813**	
Controllable Total		**-22,672**	**-14,934**	**-18,050**	
Non Controllable Total		**15,739**	**14,934**	**18,050**	
Total		**-6,933**	**0**	**0**	Net budget Zero. Income can be managed to suit cashflow requirements.
Cash Transfer to Fund Managers	Cash	**15,000**	**0**	**0**	
Net Total of Cash Related Items		**8,067**	**0**	**0**	
Indirect Transactional Management Fees	Non Cash	**3,500**	**3,500**	**5,000**	CIPFA Management cost guidance issued to show indirect transactional fees idirectly paid by the funds
Investment Income	Non Cash	**-3,500**	**-3,500**	**-5,000**	Contra entry to the Indirect transactional fees
Realised gain/loss	Non Cash	**4,689**	**-50,000**	**-50,000**	Non Controllable. To cover portfolio rebalances. No impact to cash.
Net Total of Non-Cash Related Items		**4,689**	**-50,000**	**-50,000**	

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Dyfed Pension Fund Cash Reconciliation		December 2022
Balance b/f 1st April 2022		£5,927,558.47
Investment trades		
Sales	21,729,417.09	
Purchases	-52,514,125.04	
		-£30,784,707.95
Contributions received	£83,909,057.01	
Payments made	-£77,290,960.55	
Dividend Income	£20,455,246.63	£27,073,343.09
		£2,216,193.61
Total Available for Investment		**£2,216,193.61**
Represented by :		
Cash at Carmarthenshire		£3,241,910.22
Cash due to be received/deducted		£0.00
CCC Debtors		£283,339.02
CCC Creditors		-£1,309,055.63
		£2,216,193.61
		£0.00

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PENSIONS ADMINISTRATION REPORT – 28th March 2023

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. All Employers have also been provided with data extracts to undertake data comparisons and identify any issues. Data reconciliation and validation is progressing well and query resolution is underway. Once amending regulations are issued our software supplier will be able to reflect the changes in the pensions system. The current expectation is that regulations will be issued before the summer recess as they must be in place by 1st October 2023. 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.
   b. Pru – It was identified at the UK Technical Group that there had been a deterioration in service levels experienced by funds nationally. This was raised at the both the Local Government Pensions Committee and the National Scheme Advisory Board who met with representatives from Pru. UK Technical Group representatives have met directly with PRU in October 2022 and February 2023 to review service levels during the intervening period. Funds nationally have seen a general improvement in disinvestment timescales, however, there remains a general issue regarding communication response times for scheme members, Employers and Funds. Further updates will be provided at the next meeting on service improvements by the Pru.
   c. Dashboards – The DWP issued a written ministerial statement on 2nd March 2023 announcing delays to pension dashboards connection deadlines. The Pensions Schemes Act requires schemes to provide information to a pensions dashboard in order that individuals can access pensions information in one place online. The Government hopes this will support individuals to plan for their retirement whilst giving better understanding of their pensions. Public sector pension schemes have not yet been informed of their revised connection date. We are continuing to work with our software provider to meet this legislative requirement.

d. Revaluation date change – DLUHC issued a consultation on 10th February 2023 which closed on 24th February 2023 changing the revaluation date for LGPS benefits from 1st April to 6th April with effect from 6th April 2023. The amendment seeks to lessen the Impact of high inflation on the annual allowance. As things currently stand, LGPS career average benefits will increase by 10.1% in 22/23 but the inflationary figure used in the annual allowance calculation will be 3.1%. By moving the annual revaluation to 6th April, both the annual allowance inflation and the annual revaluation will use the same September CPI figure.
e. Budget Announcement – the March budget introduced changes to both the Lifetime Allowance (LTA) and Annual Allowance (AA). We will need to wait for the Finance Bill for clarity on how it will impact upon LGPS members. It appears that from 6th April 2023 the LTA tax charge is being abolished and from 6th April 2024 the LTA will be removed altogether, however, it is anticipated that regulatory amendments will be made to restrict the maximum tax free cash a member may elect to receive. The AA will increase from £40,000 to £60,000 from April 2023.

2. 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 November 2022 to February 2023 have been included on the breaches register as the scheme members have not replied in order for the refund to be paid.

3. 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. In order to expedite the transition to electronic transmission of date, Pembrokeshire College, Coleg Ceredigion and Coleg Sir Gar have all be provided with a spreadsheet template to provide updates similar to i-connect. This process is known colloquially as 'Monthly Updates'. Many of the other smaller employers already utilise 'Monthly Updates'.

Coleg Ceredigion and Coleg Sir Gar are continuing to work with their payroll provider to ensure the data required is extracted and inputted into the correct fields on the spreadsheet. This is progressing well and further test files have been received. Pembrokeshire College have provided test extracts and are working on resolving the outstanding queries identified with their payroll provider before submitting further files.

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
CWARTER BACH COMMUNITY COUNCIL	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

4. 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.

5. Data Quality Reports

The scheduled data extract for December 2022 was completed and we have been provided with the Data Quality reports from our software provider. Below are the data scores for the LGPS.

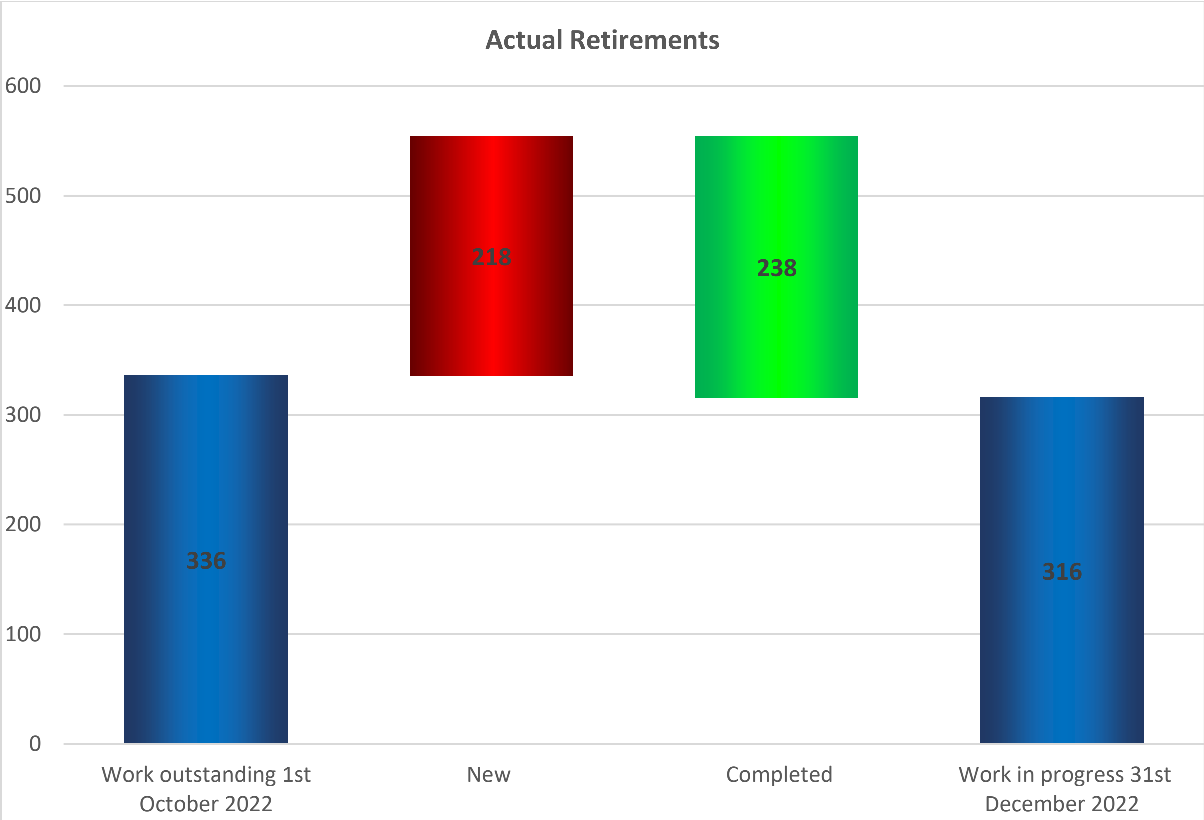
LGPS Data area	Common data	Scheme specific data
December 2022 data score	99.00%	99.38%
December 2021 data score	99.20%	99.20%
December 2020 data score	99.10%	99.20%
December 2019 data score	98.30%	98.10%
December 2018 data score	96.50%	95.80%
December 2017 data score	94.50%	85.30%

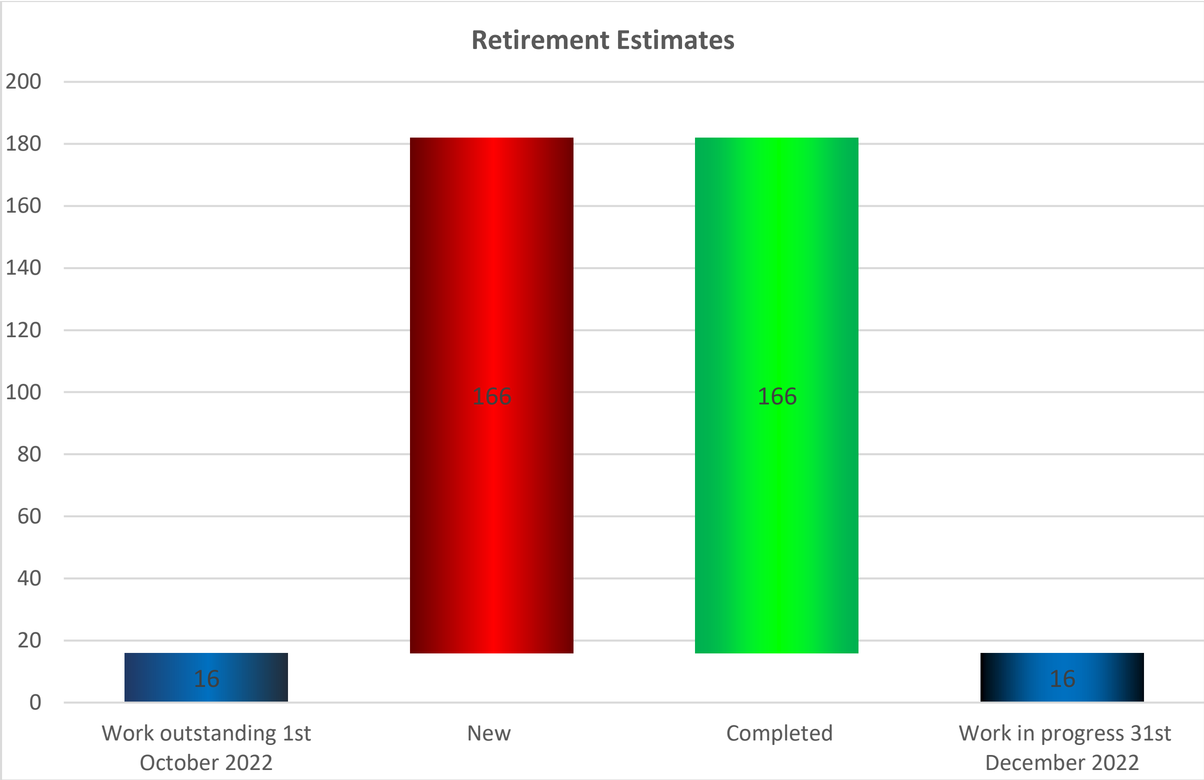
6. Workflow

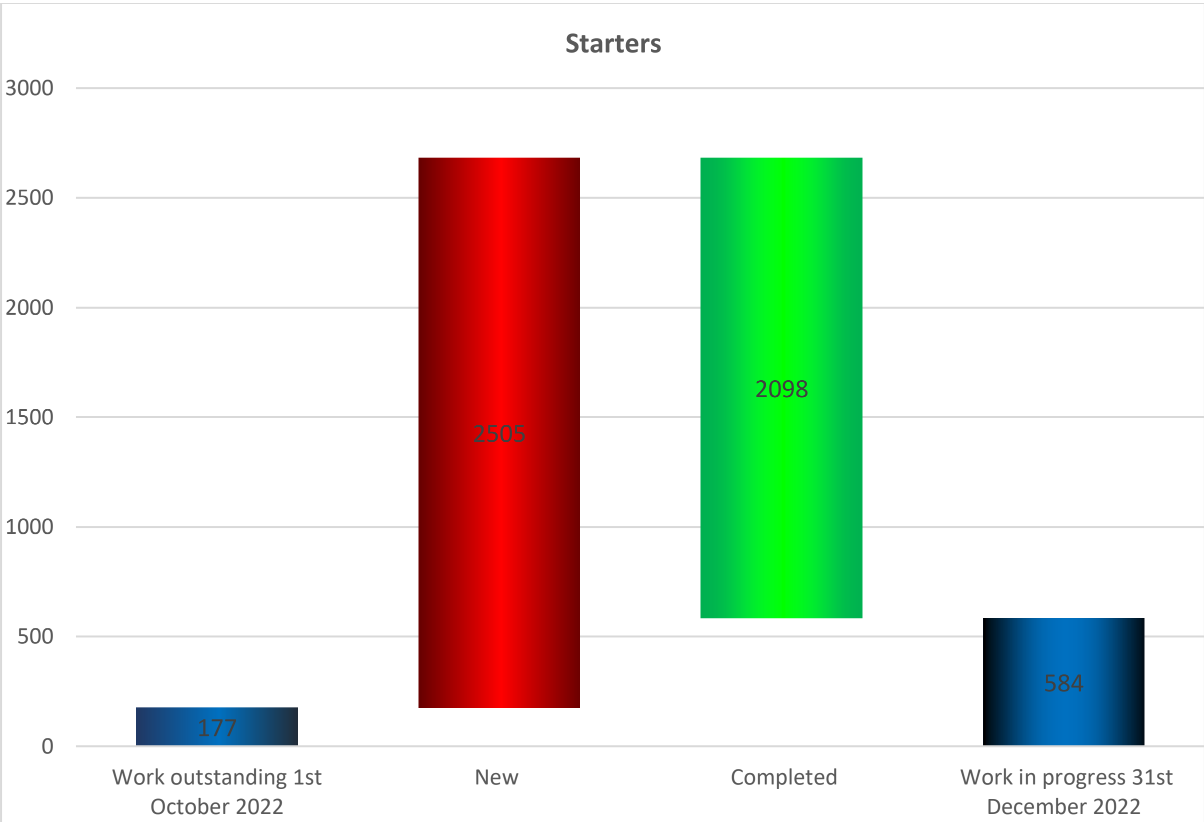
The tables overleaf detail the workflow statistics for the key tasks undertaken in the section for the period 1st October 2022 to 31st December 2022 in respect of the LGPS only. Please note that in circumstances where multiple iterations for the same calculation date have been undertaken, this is recorded as a single estimate. The workflow statistics are recorded on a quarterly basis.

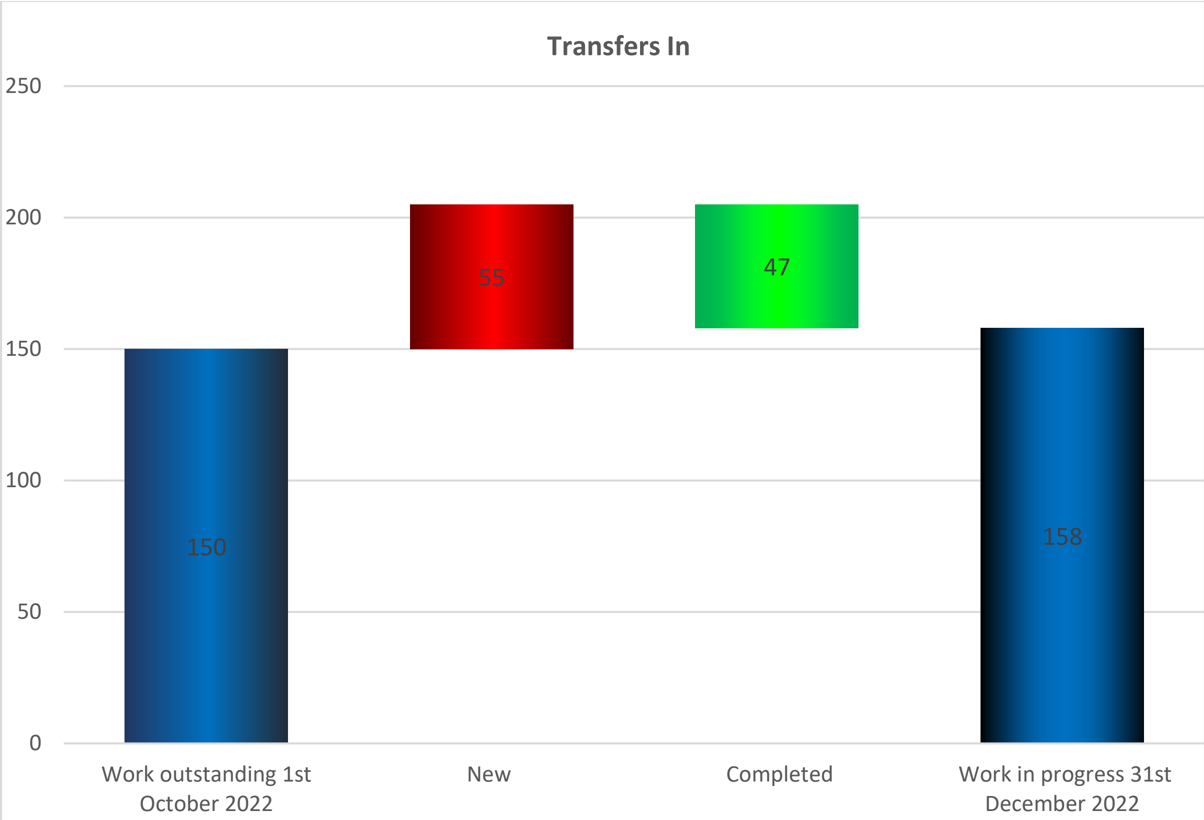
Kevin Gerard

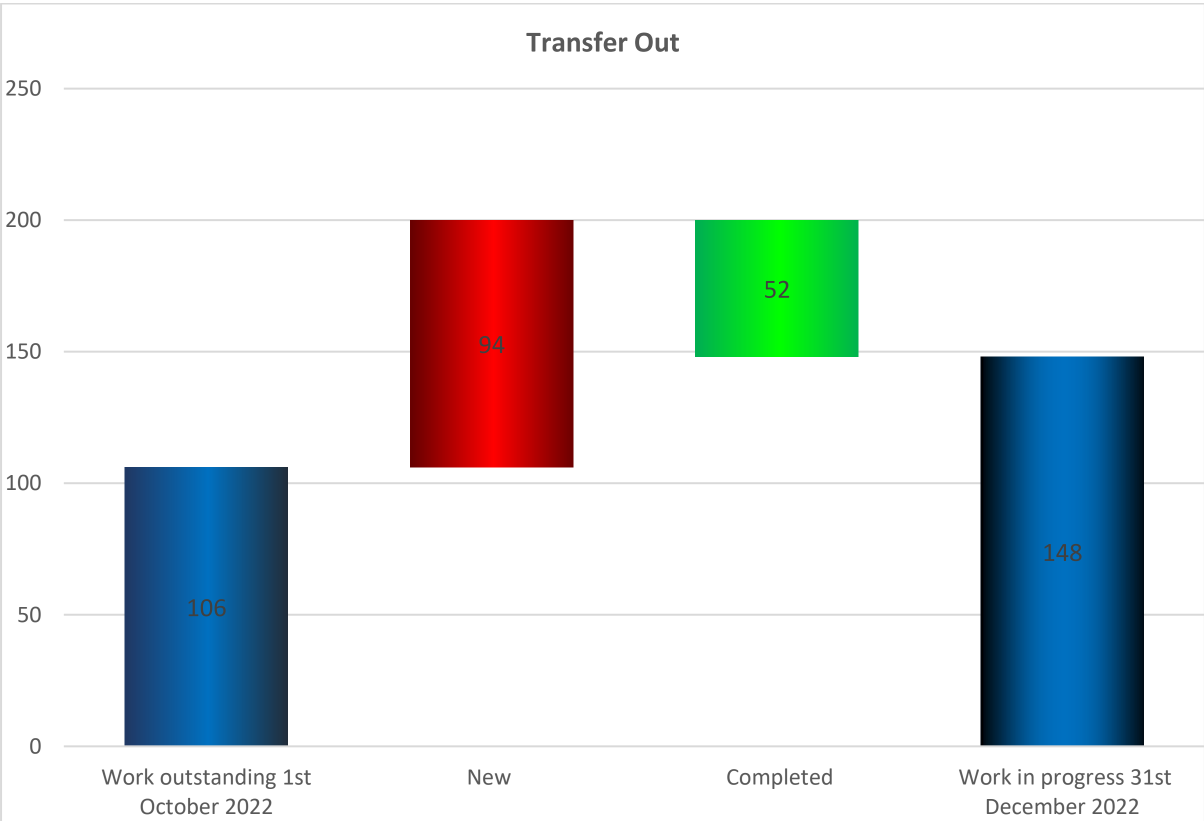
Pensions Manager

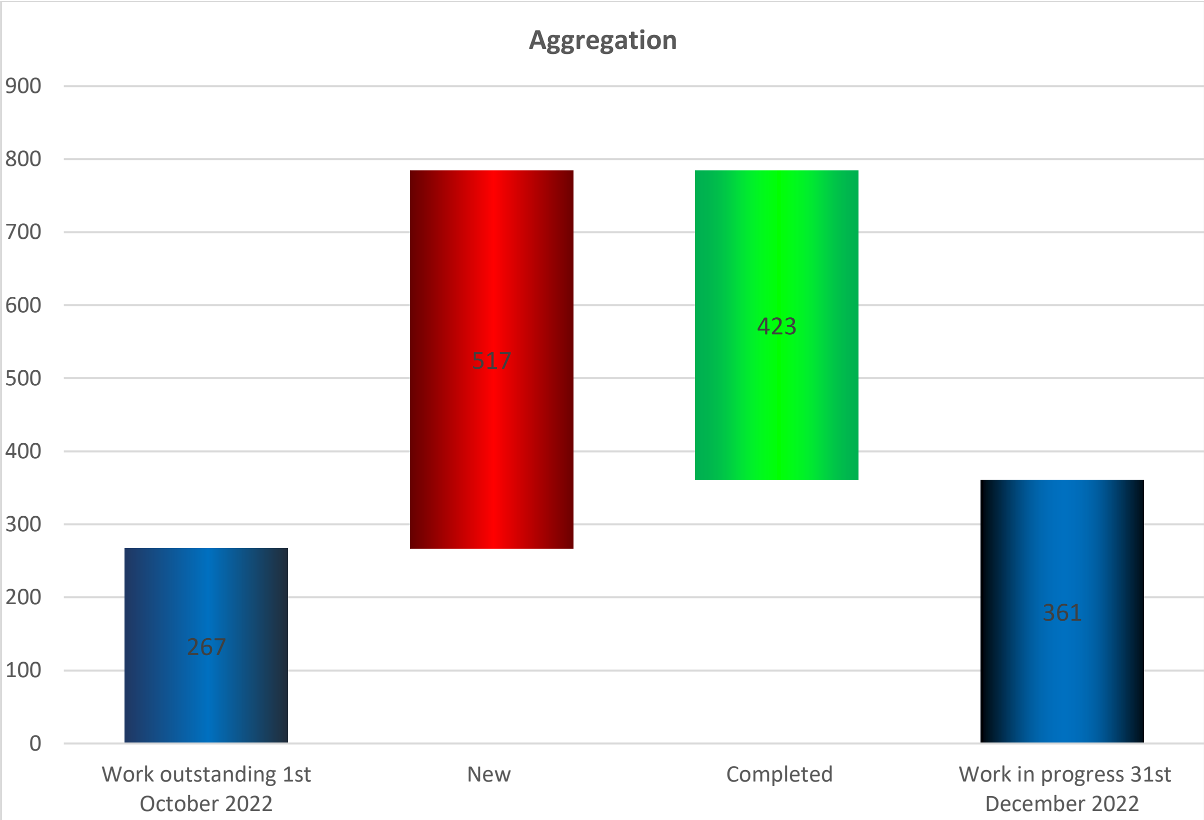

Actual Retirements
600
500
400
300
200
100
0
336
218
238
316
Work outstanding 1st October 2022
New
Completed
Work in progress 31st December 2022

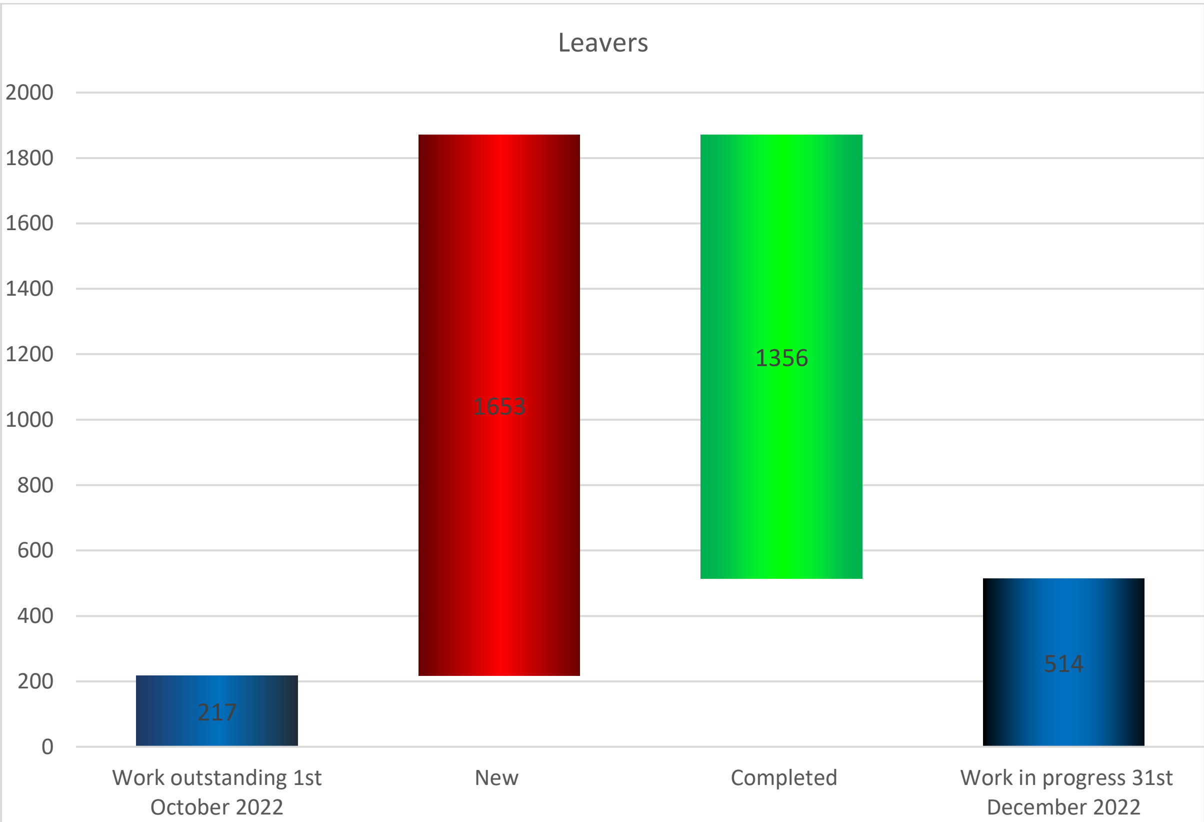

Retirement Estimates
200
180
160
140
120
100
80
60
40
20
0
16
166
166
16
Work outstanding 1st October 2022
New
Completed
Work in progress 31st December 2022


Starters
3000
2500
2000
1500
1000
500
0
177
2505
2098
584
Work outstanding 1st October 2022
New
Completed
Work in progress 31st December 2022


Transfers In
250
200
150
100
50
0
55
47
150
158
Work outstanding 1st October 2022
New
Completed
Work in progress 31st December 2022


Transfer Out
250
200
150
100
50
0
94
52
106
148
Work outstanding 1st October 2022
New
Completed
Work in progress 31st December 2022


Aggregation
900
800
700
600
500
400
300
200
100
0
267
517
423
361
Work outstanding 1st October 2022
New
Completed
Work in progress 31st December 2022


Leavers
2000
1800
1600
1400
1200
1000
800
600
400
200
0
217
1653
1356
514
Work outstanding 1st October 2022
New
Completed
Work in progress 31st December 2022

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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
117	2022-23	22/4/22	Contributions	March payment of £693.45 not yet received. Finance Manager has been contacted by email.	No	Amber	No Report	Payment received 26.9.22
118	2022-23	22/4/22	Contributions	March qtr payment & paperwork not received yet. Clerk (only contributor) passed away in February 2022. Pensions Admin in contact with new clerk regarding paperwork.	No	Amber	No Report	There are no long term implications associated with this breach. Payment received 28.10.22
119	2022-23	April 2022, May 2022, June 2022	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. April - 16 members & total refunds = £4374.47, May - 10 members & total refunds = £1821.48, June - 11 members & total refunds = £1883.03	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.
120	2022-23	22/5/22	Contributions	April payment & remittance not yet received. Finance Manager has been contacted by email.	No	Amber	No Report	Payment received 1.9.22
121	2022-23	22/6/22	Contributions	May payment & remittance not yet received.	No	Amber	No Report	Payment received 1.9.22
122	2022-23	22/7/22	Contributions	Remittance advices dated April-July have now been received. No payments received but are expected to be made by 19 August.	No	Amber	No Report	Payment received 1.9.22
123	2022-23	July 2022, August 2022	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. July - 21 members & total refunds = £2948.40, August - 27 members & total refunds = £8464.63	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.
124	2022-23	22/7/22	Contributions	June contributions of £185.54 received 8 days late. New Clerk in post, slight delay due to payment issues. Future payments will be made by Standing Order	No	Amber	No Report	There are no long term implications associated with this breach.
125	2022-23	22/8/22	Contributions	July contributions of £802.17 received 10 days late. April, May and June payments that were outstanding were received on the same date (1.9.22). March 22 payment still outstanding, email sent requesting that payment be made immediately.	No	Amber	No Report	Payment received 1.9.22
126	2022-23	22/9/22	Contributions	August contributions of £802.17 received 4 days late. March 22 payment received on the 26 September.	No	Amber	No Report	Payment received 26.9.22
127	2022-23	22/9/22	Contributions	August contributions of £4,725.38 received 6 days late. Finance person had IT issue with emails which resulted in the payment being made late.	No	Amber	No Report	There are no long term implications associated with this breach.
128	2022-23	22/10/22	Contributions	No paperwork or payment received for September contributions. Email has been sent to Finance Manager	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
129	2022-23	September 2022, October 2022	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. September - 11 members & total refunds = £2190.02, October - 22 members & total refunds = £7315.25	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.
130	2022-23	22/11/22	Contributions	No paperwork or payment received for October contributions. Email has been sent to Finance Manager	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.

131	2022-23	22/12/22	Contributions	No paperwork or payment received for November contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
132	2022-23	22/1/23	Contributions	No paperwork or payment received for December contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
133	2022-23	22/1/23	Contributions	December contributions of £24,380.47 received 2 days late. Issue at bank with second authoriser approval which resulted in the payment being made late.	No	Amber	No Report	There are no long term implications associated with this breach.
134	2022-23	22/1/23	Contributions	December contributions of £518.84 received 1 day late. New finance officer thought monthly payment was made by standing order.	No	Amber	No Report	There are no long term implications associated with this breach.
135	2022-23	22/2/23	Contributions	No paperwork or payment received for January contributions.	No	Red	Yes	Ongoing discussions taking place. Report to The Pensions Regulator.
136	2022-23	November 2022, December 2022, January 2023, February 2023	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. November - 12 members & total refunds = £6214.68, December - 10 members & total refunds = £2914.10, January - 17 members & total refunds = £4376.92, February - 6 members & total refunds = £1948.39	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.

Risk Register

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 document identifies the risks as operational and strategic.

The Risk Register has been reviewed since the previous Committee meeting and two risks have been amended as follows –

DPFOP0010 (Failure to appropriately attract, manage, develop, and retain staff at all levels) – the uncontrolled risk has been updated to reflect a high risk (previously scored as medium risk) and the controlled risk has been updated to reflect medium risk (previously low risk). An additional control has been inserted stating that the Carmarthenshire County Council recruitment and retention policy is implemented.

DPFOP0017 – the nature of risk has been expanded from a failure to meet statutory deadlines leading to qualification of the accounts, to a broader risk including failure to maintain robust working papers which do not provide assurance of the accuracy of the accounts. An additional control has been inserted being attendance at CIPFA Pension Fund Accounts training and the review of CIPFA Pension Fund example accounts.

Cyngor **Sir Gâr**
Carmarthenshire
County Council

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Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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
DPFOP0001 - 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
				• **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				

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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**
				• **Participate in National Fraud Initiative (NFI)** *Implemented* • **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 Pensions Manager				
DPFOP0002 - 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.	Substantial 4	Possible 3	High 12	• **Contributions monitoring procedures** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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**
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 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.				• **Formal timescales for receipt of contributions** *Implemented* • **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 Pensions Manager and Treasury & Pensions Investments Manager				

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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
DPFOP0003 - 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* • **i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis** *Implemented* • **Data accuracy checks undertaken by the pension section prior to continual validation on workflow system** *Implemented* • **Data integrity validation is performed monthly by Altair Development Officer** *Implemented* • **Data validation checks also undertaken by the DPF's partners (e.g.the Actuary at Valuation)** *Implemented*	Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Additional validation carried out through NFI** *Implemented* • **Opportunity to escalate non-compliance** *Implemented*	Pensions Manager Pensions Manager				
DPFOP0004 - 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*	Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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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**
				• **Documentation is scanned on to the pensions system** and paper copies are held for a period of 3 months before shredding *Implemented*	Pensions Manager				
				• **Compliance with the Data Protection Act 1998** *Implemented*	Pensions Manager				
				• **Compliance with the Authority's in-house IT policies** *Implemented*	Pensions Manager				
				• **Systems and Payroll audit undertaken annually** *Implemented*	Pensions Manager				
DPFOP0005 - 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*	Pensions Manager		Moderate 2	Unlikely 2	Low 4

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Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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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**
				• **Segregation of duties and authorisation of benefits following calcualtion by Senior Pensions Officer and Pensions Officer** *Implemented* • **Altair Development Officer undertakes data integrity checks** *Implemented* • **Systems and Payroll audit undertaken annually** *Implemented*	Pensions Manager Pensions Manager Pensions Manager				
DPFOP0006 - 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*	Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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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
				• **Pension Software is a hosted system provided by Aquila Heywood and is a tier 4 design data centre with ISO27001 accreditation.** *Implemented*	Pensions Manager				
DPFOP0007 - 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
DPFOP0008 - 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*	Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Specific courses / seminars attended by officers to further their knowledge and understanding** *Implemented*	Pensions Manager				
DPFOP0009 - 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*	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

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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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**
				• **External consultants and independent adviser available for short term assistance** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager				
DPFOP0010 - Failure to appropriately attract, manage, develop, and retain staff at all levels	Substantial 4	Possible 3	High 12	• **Training and Development Plan established** *Implemented* • **Carmarthenshire County Council recruitment and retention policy implemented** *Implemented*	Pensions Manager Pensions Manager		Substantial 4	Unlikely 2	Medium 8
DPFOP0011 - 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	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*	Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
managers, custodian, independent adviser, fund employers, pensioners, scheme members, actuary and government organisations.				• **Comprehensive website is continually updated and developed** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager				
				• **My Pension Online is used to enhance the service provided to scheme members** *Implemented*	Pensions Manager				
				• **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				

Risk Register

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
DPFOP0012 - 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. Immediate cash contribution would be required via employers; delay in the payment of promised liabilities; negative publicity and an adverse audit report.	Substantial 4	Possible 3	High 12	• **Monthly cash and dividend reconciliations** *Implemented* • **Quarterly monitoring of investment managers by Pension Committee** *Implemented* • **Appointment of custodian** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
DPFOP0013 - 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*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
				• **Due diligence is carried out whenever a new manager is appointed.** *Implemented* • **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 Treasury & Pensions Investments Manager				
DPFOP0014 - 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*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Improbable 1	Very Low 3

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Internal Audit and Wales Audit Office review** *Implemented*	Treasury & Pensions Investments Manager				
DPFOP0015 - 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* • **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 Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
DPFOP0016 - 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
DPFOP0017 - Failure to meet deadlines or maintain robust working papers which do not provide assurance of the accuracy 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 Governance & Audit Committee cycles** *Implemented* • **Liaise with external audit** *Implemented* • **Establish closedown timetable** *Implemented* • **Establish Audit Wales working paper guidance & planning document** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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**
				• **Excellent time management skills** *Implemented* • **Attendance at CIPFA Pension Fund Accounts Training & CIPFA Pension Fund Example Accounts reviewed** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager				
DPFOP0018 - 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
DPFOP0019 - Failure to recover all debts Lack of communication between fund officers and administering authority officers (debtors); lack of monitoring / recovery procedures.	Substantial 4	Likely 4	Significant 16	• **Use of specialist debt recovery section within the administering authority** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager		Moderate 2	Improbable 1	Very Low 2

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
Loss of income to the Fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to Fund employers				• **Monthly monitoring of debts due** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager				
DPFOP0020 - 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* • **Monitoring officer role** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Improbable 1	Low 4

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
DPFOP0021 - 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* • **Regular internal and external audits** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Operational**

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
				• **Establish & review training plan for officers and members** *Implemented*	Pensions Manager and Treasury & Pensions Investments Manager				
DPFOP0022 - 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* • **Monthly reconciliations of contributions, dividends, and pension payroll** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register

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	Impact	Probability	Current Risk Rating				Impact	Probability	Controlled Risk Rating
DPFOP0023 - 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
DPFOP0024 - 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		Moderate 2	Possible 3	Medium 6

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Strategic**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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
DPFST0001 - 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* • **Network Groups (Altair & LGPC)** *Implemented* • **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* • **Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements** *Implemented*	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Substantial 4	Improbable 1	Low 4

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Strategic**

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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
				• **Technical Officer ensures legislative accuracy of calculations** *Implemented*	Pensions Manager				
DPFST0002 - 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

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Strategic**

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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				
DPFST0003 - 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

Risk Register

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				• **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				
DPFST0004 - 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,	Substantial 4	Likely 4	Significant 16	• **Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy** *Implemented*	Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9

Risk Register

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	Impact	**Probability**	**Current Risk Rating**				**Impact**	**Probability**	**Controlled Risk Rating**
incorrect investment strategy, poor selection of investment managers. Poor / negative returns leading to potential increase in employer's costs.				• **Quarterly monitoring of investment managers by Pension Committee** *Implemented* • **Diversified Strategic Asset Allocation** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager				
DPFST0005 - 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 potential 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
DPFST0006 - Concentration risk - single asset class having disproportionate impact on investment objectives Risk of the performance of a single asset class having a disproportionate	Substantial 4	Possible 3	High 12	• **Establish & review diversified strategic asset allocation** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Register

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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**
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.				• **Proactive in decision making** *Implemented*	Treasury & Pensions Investments Manager				
DPFST0007 - 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 well as credit exposures to the fund's members and employers. Loss of capital; decrease in asset values; cost of legal proceedings; adverse publicity.	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
DPFST0008 - 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

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Strategic**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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
DPFST0009 - 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
DPFST0010 - Price risk The equity investments held exposes the fund to risk in relation to the market price of its investments. Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.	Substantial 4	Possible 3	High 12	• **Establish & review a diversified strategic asset allocation.** *Implemented* • **Anticipate long term returns on a prudent basis.** *Implemented*	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
DPFST0011 - 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	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

Risk Register

Organisation/Department/Function/Project: **Dyfed Pension Fund Strategic**

Manager **Pensions Manager and Treasury & Pensions Investments Manager** Date: **15 March, 2023**

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
contribution rates become unacceptable, causing a potential increase in employers' costs.									
DPFST0012 - Global financial markets impacted by economic climate, national/global austerity measures and geopolitical events	Catastrophic 5	Possible 3	High 15	• **Ongoing review by Pension Committee, Officers and Independent Adviser of the global economy and potential global instability.** *Implemented*	Treasury & Pensions Investments Manager		Substantial 4	Possible 3	High 12

DRAFT – SUBJECT TO CONSULTATION

FUNDING STRATEGY STATEMENT

DYFED PENSION FUND

The information enclosed in this statement and the accompanying policies have a financial and operational impact on all participating employers in the Dyfed Pension Fund. It is imperative that all existing and potential employers are aware of the details set out herein.

December 2022

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).

1. Guide to the FSS and Policies

The information required by overarching guidance and Regulations is included in Section 2 and Section 3 of the Funding Strategy Statement. This document also sets out the Fund's policies in the following key areas:

1. Actuarial Method and Assumptions (Appendix A)

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, known as the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits, known as the "Secondary" rate, are set out here.

2. Deficit Recovery and Surplus Offset Plans (Appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out here.

3. Employer Types and Admission Policy (Appendix C)

Various types of employers are permitted to join the LGPS under certain circumstances. The conditions upon which their entry to the Fund is based and the approach taken is set out here

4. Termination Policy, Flexibility for Exit Payments and Deferred Debt Agreements (Appendix D)

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 former employees along with a termination contribution certificate showing any exit debt or exit credit, due from or to the exiting employer. In some circumstances an employer and the Fund can enter a Deferred Debt Agreement. The termination policy can be found here

5. Covenant Assessment and Monitoring Policy (Appendix E)

The key risk criteria frequency of monitoring and Fund's approach to covenant risk can be found here.

6. Review of Employer Contributions between Valuations (Appendix F)

In line with the Regulations, the Administering Authority has the discretion to review employer contributions between valuations in prescribed circumstances. The Fund's policy on how the Administering Authority will exercise its discretion is set out here.

7. Ill Health Captive Arrangements (Appendix G)

The Fund has implemented a captive arrangement which pools the risks associated with ill health retirement costs for employers whose financial position could be materially affected by ill health retirement of one of their members. Specifically this is the employer base outside of the five major employers. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out here.

8. Glossary (Appendix H)

A glossary of the key terms used throughout is available at the end of this document here.

2. Background

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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 therefore be critical in achieving this. The Administering Authority has taken advice from the actuary in preparing this Statement.

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.

Integrated Risk Management Strategy

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 result in greater 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 and long term cost efficiency objectives. Individual employer results will also have regard to their covenant strength, where deemed appropriate by the Administering Authority.

The Regulations

The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), 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 Solvency Objective

The Administering Authority’s long-term objective is for the Fund to achieve and then maintain 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 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.

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

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

Long Term Cost 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. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution 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 Local Government Pension Scheme (the “LGPS”) so far as relating to the Fund.

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 actuary, including a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution.

3. Key Funding Principles

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Purpose of the FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the 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 actuary.

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.

The aims of the fund are to:	**The purpose of the fund is to:**
• manage employers' liabilities effectively and ensure that sufficient resources 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, resolution 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.	• receive monies in respect of contributions, transfer values and investment income, and • pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the Regulations.

Responsibilities of the key parties

The efficient and effective management of the 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:	**The Individual Employer 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 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's actuary • prepare and maintain a FSS and an Investment Strategy Statement ("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.	• 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 actuary, promptly by the due date • undertake administration duties in accordance with the Pension Administration Strategy. • 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 Fund 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 paying higher contributions than otherwise would be the case if the data was of high quality.

The Fund Actuary should:	A Guarantor 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 its FSS and the Regulations • prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as 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 the Administering Authority on the 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.	• notify the Administering Authority promptly of any changes to its guarantee status, as this may impact on the treatment of the employer in the valuation process or upon termination. • provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations. • be aware of all guarantees that are currently in place • work with the Fund and the employer in the context of the guarantee • receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.

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.

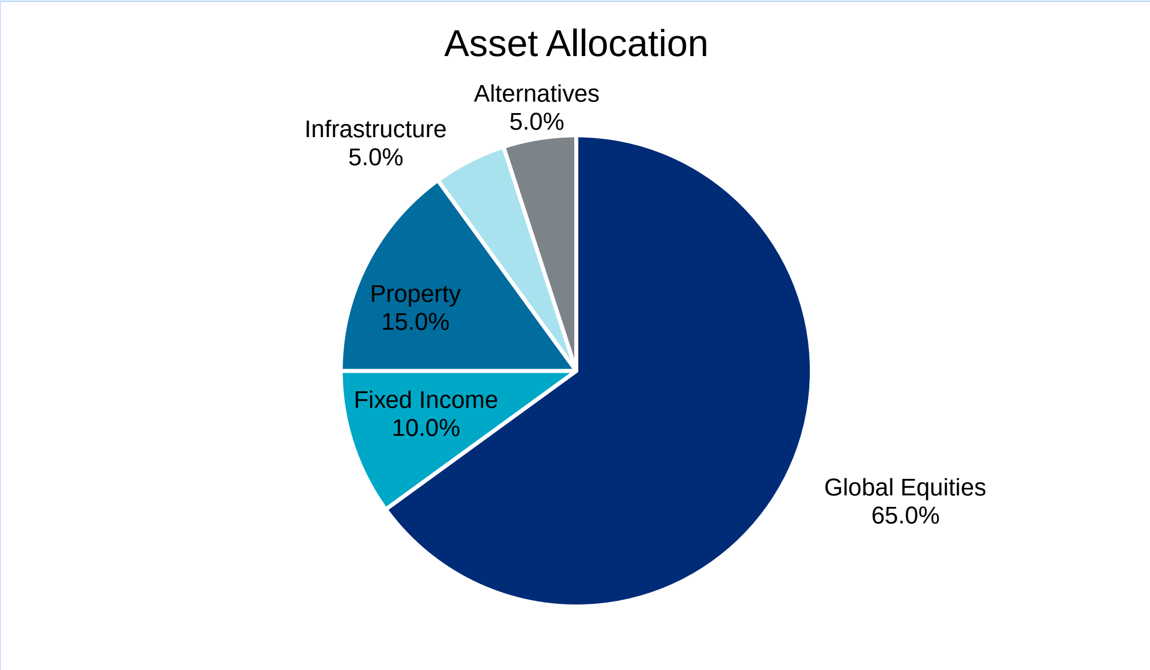
Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

Link to Investment Policy and the Investment Strategy Statement (ISS)

The results of the 2022 valuation show the liabilities to be 113% covered by the assets, with the funding surplus of £372m used in part to offset Primary Contributions, with the remainder being retained as a buffer against future adverse experience (see Appendix B).

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.

The overall strategic asset allocation is set out in the ISS. The current long term strategy set out in the ISS is included below.



The investment strategy set out above and individual return expectations on those asset classes equate to an overall best estimate average expected return of 3.0% per annum in excess of CPI inflation as at 31 March 2022 i.e. a 50/50 chance of achieving this real return. For the purposes of setting a funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations (see further comment in **Appendix A**).

Risk Management Strategy

In the context of managing various aspects of the Fund's financial risks, the Administering Authority will consider implementing investment risk management techniques where appropriate). Further details will be set out in the ISS.

Climate Change

An important part of the risk analysis underpinning the funding strategy will be to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation there will be an analysis of different climate change scenarios at the Whole Fund level relative to the baseline position (i.e. assuming that the funding assumptions are played out). The output will be used, for example, to test whether the funding strategy is sufficiently robust in the context of the scenario analysis considered and therefore any potential contribution impacts. Where risks to the funding strategy are identified these will be highlighted and a judgement made as to how these risks can be mitigated.

The analysis will consider as a minimum the impact on investment returns and inflation under the scenarios considered. One of the scenarios will be consistent with global temperature increases of between 1.5 and 2 degrees C above pre-industrial levels.

Results will be considered over a period of at least 20 years to ensure there is sufficient recognition of the transition and physical risks of climate change. The output of the analysis will be considered in the context of investment strategy and employer covenant risk in an integrated way.

Identification of Risks and Counter-Measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund 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 quantification of some of the major risk factors.

<table>
<tr><th>Financial</th><th>Demographic</th></tr>
<tr><td>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 than anticipated
• Future underperformance arising as a result of participating in the All Wales pooling vehicle
• 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.</td><td>The demographic risks are as follows:-

• Future changes in life expectancy (longevity) that cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds.
• Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers. For some employers the Fund has 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.
• Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations. The Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy

Early retirements for reasons of redundancy and efficiency do not affect the solvency of the</td></tr>
</table>

Financial	Demographic
	Fund because they are the subject of a direct charge.

Governance	Regulatory
The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their trade unions) to make their views known to the Fund and to participate in the decision-making process. 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. • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements. • Changes to Senior Fund Officers or in the Pension Committee 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.	The key regulatory risks are as follows:- • Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to the Fund, Typically these would be via the Cost Management Process although in light of the McCloud discrimination case, there can be exceptional circumstances which give rise to unexpected changes in Regulations. • 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.

Monitoring and Review

A full review of this Statement will occur no less frequently than every 3 years, to coincide with completion of a full statutory actuarial valuation and every review of employer rates or interim 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 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
- 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
- if there have been material changes in the ISS

Appendix A – Actuarial method and assumptions

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The key whole Fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

Financial Assumptions		
	2022 valuation assumption	Description
Investment return / discount rate	4.55% p.a. (past) and 5.10% p.a. (future)	Derived from the expected return on the Fund assets based on the long term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.45% p.a. above CPI inflation (past) and 2.0% p.a. above CPI inflation (future). This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.
Market implied Inflation (Retail Prices Index)	3.90% p.a.	The investment market's expectation 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 whole Fund's accrued liabilities).
Inflation (Consumer Prices Index)	3.10% p.a. (includes an adjustment of 0.80% p.a.)	RPI inflation (above) reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole Fund's accrued liabilities and 2030 RPI reform) and adjusted to incorporate an Inflation Risk Premium ("IRP"). This varies for the ongoing and low risk termination basis, reflecting the degree of inflation hedging inherent in the notional termination basis and will also reflect the duration of an employer's liabilities in the case of a low risk termination calculation. The adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any market factors which affect the estimate of CPI inflation.
Salary increases	4.60% p.a.	Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) - the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance

(long-term)		of 1.50% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.
Pension Increases and Deferred Revaluation	Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations.	
Indexation of CARE benefits	Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).	

Demographic Assumptions

Mortality/Life Expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the Actuary. 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) including a loading reflecting Fund specific experience and will make allowance for future improvements in longevity and the experience of the scheme. 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 trend in longevity seen over recent time periods (as evidenced in the 2021 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 2021 projections and a long term improvement trend of 1.75% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

	Male Life Expectancy at 65		**Female Life Expectancy at 65**	
	2019	2022	2019	2022
Pensioners	23.2	22.0	25.1	24.2
Actives aged 45 now	24.8	23.7	27.3	26.4
Deferreds aged 45 now	23.1	23.3	25.9	25.9

For example, a male pensioner, currently aged 65, would be expected to live to age 87.0. Whereas a male active member aged 45 would be expected to live until age 88.7. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

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

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

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	107% S3PMA_CMI_2021 [1.75%] 101% S3PFA_M_CMI_2021 [1.75%]
	Dependant	129% S3PMA_CMI_2021 [1.75%] 115% S3DFA_CMI_2021 [1.75%]
	Ill Health	141% S3IMA_CMI_2021 [1.75%] 188% S3IFA_CMI_2021 [1.75%]
	Future Dependant	129% S3PMA_CMI_2021 [1.75%] 115% S3DFA_CMI_2021 [1.75%]
Active	Normal Health	110% S3PMA_CMI_2021 [1.75%] 100% S3PFA_M_CMI_2021 [1.75%]
	Ill Health	242% S3IMA_CMI_2021 [1.75%] 324% S3IFA_CMI_2021 [1.75%]
Deferred	All	116% S3PMA_CMI_2021 [1.75%] 106% S3PFA_M_CMI_2021 [1.75%]
Active / Deferred	Future Dependant	125% S3PMA_CMI_2021 [1.75%] 114% S3DFA_CMI_2021 [1.75%]

Other Demographic Assumptions	
Commutation	Following analysis undertaken by the Actuary, it has been assumed that all retiring members will take 75% of the maximum tax-free cash available at retirement. 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 p.a. of pension given up.
Other Demographics	Alongside commutation, as part of the 31 March 2022 valuation, the Actuary has carried out analysis to review the assumptions relating to: the incidence of ill health retirements, withdrawal rates, the

	proportions married/civil partnership assumption, and also the probability of member's dying prior to retirement. Following the outcomes of this analysis, the assumptions for proportions married/civil partnerships and the pre-retirement mortality have been updated in line with the recommendations from the Actuary. All other assumptions remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years.
Expenses	Expenses are met out of the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions from participating employers. This 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.

Further details on the demographic assumptions are set out in the Actuary's formal report.

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 Fund 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, alternative methods are adopted, which make 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.

The assumptions to be used in the calculation of the funding target are set out above. 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.

There will be a funding plan for each employer. In determining contribution requirements the Administering Authority, based on the advice of the Actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. As indicated above, 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 in the Fund.

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 solvency funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs 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.

Employer asset shares

The Fund is a multi-employer pension Fund 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 Fund 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 Fund 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. In addition, the asset share maybe restated for changes in data or other policies.

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.

Other factors affecting employer contribution outcomes

Notwithstanding the policies below, the Administering Authority, in consultation with the actuary where necessary, reserves the right to consider whether any exceptional arrangements should apply in particular cases.

Covenant: 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 may continue to monitor employer's 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.

Stability: To aid with future contribution stability, where an employer is in surplus, only that element of surplus above 105% of the liabilities can be used as a surplus offset. Employers under 105% funded at the valuation date will not have any surplus buffer applied to their funding target.

Contribution Increases: 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 may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for such organisations for the three years 2023/2026. 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.

Phasing: Where there is a material increase in total (i.e. both primary and secondary rate combined) contributions required at this valuation, in certain circumstances, the employer may be able to "phase in" contributions over a maximum period of 3 years in a pattern agreed with the Administering Authority and depending on the affordability of contributions as assessed in the covenant review of an employer. In order to allow employers time to adjust their budgets, contributions for 2023/24 will normally be maintained at their existing levels, other than for the major scheduled bodies, before moving to the new rates in 2024/25. Employers should be aware that any stepping or deferral of increases may affect the contribution requirements arising at future valuations.

Insurance: The contributions for any employer may be varied as agreed by the 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.

Prepayments: Employers may also wish to make prepayments of deficit contributions which could result in a cash saving over the valuation certificate period. Further details of the potential savings will be set out in the Rates and Adjustments Certificate produced by the Actuary. At the discretion of the administering authority, an employer may be able to prepay Primary Rate contributions. Any employers who prepay Primary Rate contributions will also be required to make “top-up” payments should actual payroll be higher than that assumed when making the prepayment to ensure no underpayment emerges.

Early Retirement Strain Costs: Any “strain” costs generated as a result of redundancy, efficiency or flexible retirements will be recovered by additional capital payments to the Fund by the employer. These will be paid in full at the point of retirement. In certain situations, depending on the covenant of the employer and at the discretion of the Administrative Authority, an alternative payment structure may be agreed.

Deaths: The extent to which any funding strain/profit emerges on the death of a member will depend on the profile of the member (status / age / whether any dependant’s benefits become payable) and impacts can be material**.** Any funding strain/profit will typically emerge at the next actuarial valuation through increased/reduced deficit contributions, except where the employer is terminating, when it will be taken into account when the Actuary determines the termination position.

Appendix B – Deficit recovery and surplus offset plans

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Employer Recovery Plans – key principles

If the funding level of an employer is below 100% at the valuation date (i.e. the assets of the employer are less than the liabilities), a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

The aggregate recovery period for the Fund as a whole is 14 years at this valuation which is from the same as the previous valuation. As the fund is in surplus, a longer surplus spread period is more prudent than reducing it by 3 years and so the 14 year period was still felt appropriate. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce at this valuation.

Secondary Rate contributions for each employer will be expressed as percentages of pensionable pay 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, 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. 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, for example on an annual basis or as a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

Category	Default Deficit Recovery Period	Derivation
Unitary Authorities, Mid and West Wales Fire Authority and Police & Crime Commissioner	14 years	The same as the 2022 valuation, reflecting the surplus position
Open Employers in deficit	Normally 8 years	3 years less than at the 2019 valuation
Open Employers in surplus	Normally 11 years	The same as the 2022 valuation, reflecting the surplus position
Closed Employers	Variable	Here will we will have regard to the funding position and the average

		future working lifetime of the membership.
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.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain broadly the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period), taking into account any changes in the future service contribution requirements.

Other factors affecting the employer deficit recovery plans

As part of the process of agreeing funding plans with individual employers and managing risk in the inter-valuation period, 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. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

Surplus offset plans

For those employers assessed to be in surplus at the valuation date, surplus offsets won’t be available to those with a funding level of less than 105%. For those with funding levels greater than 105%, surplus offsets will be based on the surplus above 105% only.

Over and above this, the Fund is giving more recognition to the potential liabilities in the event that an employer will exit the Fund at some point. With this in mind, 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 if the body is not also in surplus on its termination basis at the valuation date.

For any employers assessed to be in surplus at the valuation date, where surplus offsets will be payable, and who are expected to exit the Fund in the period to 31 March 2026 the Secondary rate payments will be based on the expected length of participation in the Fund. For all other employers assessed to be in surplus at the valuation date, the

Secondary rate will based on the maximum recovery period, unless otherwise agreed by the Administering Authority.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases when determining deficit recovery/surplus offset plans.

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Appendix C – Employer types and admission policy

Entry to the Fund

Mandatory Scheme Employers

Certain employing bodies are required to join the scheme under the Regulations. These bodies include tax raising bodies, those funded by central government (colleges) and universities (reliant on non-government income).

Designating Bodies

Designating bodies are permitted to join the scheme if they pass a resolution to this effect. Designating bodies, other than connected entities, are not required under the Regulations to provide a guarantee. These bodies usually have tax raising powers and include Community and Town Councils.

Admission Bodies

An admitted body is an employer which, if it satisfies certain regulatory criteria, can apply to participate in the Fund. If its application is accepted by the administering authority, it will then have an "admission agreement". In accordance with the Regulations, the admission agreement sets out the conditions of participation of the admitted body including which employees (or categories of employees) are eligible to be members of the Fund.

Admitted bodies can join the Fund if

- They provide a service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies)
- They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but the one common element is that they are "not for profit" organisations (formerly known as Community Admission Bodies).

Admitted bodies may only join the Fund if they are guaranteed by a scheme employer. When the agreement or service provision ceases, the Fund's policy is that in all cases it will look to recover any outstanding deficit from the outgoing body unless appropriate instruction is received from the outsourcing employer or guaranteeing employer, in which case the assets and liabilities of the admission body will in revert to the outsourcing scheme employer or guaranteeing employer.

Connected Entities

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer.

Although connected entities are "Designating Bodies" under the Regulations, they have similar characteristics to admitted bodies (in that there is an "outsourcing employer"). However, the Regulations do not strictly require such bodies to have a guarantee from a scheme employer.

However, to limit the risk to the Fund, the Fund will require that the scheme employer provides a guarantee for their connected entity, in order that the ongoing funding basis will be applied to value the liabilities.

Second Generation outsourcings for staff not employed by the Scheme Employer contracting the services to an admitted body

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the unitary authorities, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another. In this instance the contracting body is termed a ‘Related Employer’ for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor. These liabilities relate both to any staff whom it may be outsourcing for the first time and to any staff who may be transferring from one contractor to another having previously been employed by a scheme employer prior to the initial outsourcing

“Related employer” is defined as “any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)”.

Risk Assessments

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the low risk termination methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a low risk methodology are:

- Uncertainty over the security of the organisation’s funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

Admitted Bodies providing a service

Generally Admitted Bodies providing a service will have a guarantor within the Fund that will stand behind the liabilities.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the Fund. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the Fund it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in the FSS.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the Fund, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the Fund the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the low risk methodology and assumptions.

Contribution Rate Assessments

Unless agreed otherwise with the Administering Authority, the Actuary will undertake an assessment of the required contribution rate payable by the new admitted body.

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Appendix D – Termination policy, flexibility 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.

This methodology will be reviewed on a regular basis, in light of changes in market conditions and any review of fiscal or monetary policy by the Government or Bank of England.

Termination Assessment of an Employer's Residual Pension Obligation 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 gilt yields of an appropriate duration, including the removal of any inflation risk premium representing the market price of locking in to inflation protection. 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 corporate bonds approach 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 two 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.

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 gilt yields 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.

As noted above, outside of the two main default policies, the Administering Authority retains the discretion to adopt a different approach (e.g. one based on a corporate bonds approach approach) for any particular employer related to the size of the risk and the employer will be notified of this accordingly.

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 alternative approaches 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.

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 usually 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).

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Appendix E – 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.

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Appendix F – 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.

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Appendix G –
Ill-health captive arrangements

Overview of arrangement

Ill health retirements can be expensive 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.

For certain employers in the Fund (specifically, all those excluding the five major employers) a captive arrangement has been established by the Administering Authority to cover ill-health retirement costs. This will apply to all ill-health retirements from 1 April 2020. It applies only to ill-health retirements involving the early payment of pension and to the associated benefit costs.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s primary rate. The premium for 2023/26 is 1.5% of pay per annum

- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of active members i.e. there is no initial impact on the deficit position for employers within the captive and any subsequent impact should be manageable.

- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the Administering Authority based on the advice of the Actuary.

- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the five major employers. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.

- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

Employers not covered by the arrangement

For the five major employers who are outside the captive arrangement, the current treatment of ill-health retirements will still apply, whereby any excess costs associated with ill-health retirements will emerge as part of the subsequent actuarial valuation assessment, and in any subsequent secondary rate contributions payable into the Fund.

Employer responsibilities

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 ensure robust processes are in place to determine eligibility for ill health retirements.

The Fund and the Actuary will monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough.

Appendix H – Glossary of terms

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Actuarial Valuation
An investigation by an 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 (the "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.

Benefits
The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. 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.

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.

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 from CPI).

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.

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.

Derivatives
Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those assets

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.

Early Retirement Strain
The additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

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. See also "Primary Rate" below.

Employing bodies
Any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities
Shares in a company which are bought and sold on a stock exchange.

Equity Protection
An insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit
The amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Fund / 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 Fund Employers. For example, these include councils, colleges and universities.

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.

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.

Guarantee of Last Resort
For the purposes of the FSS, a guarantee of last resort refers to the situation where an employer has exhausted all alternative options for payment of an exit debt and so the debt is recovered from another employer in the Fund, however the liabilities are not subsumed in this case.

Ill-Health Captive
This is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

Investment Strategy
The long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

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.

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.

Liabilities
The actuarially calculated present value of all benefit entitlements i.e. Fund 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.

Long-term cost efficiency
This is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

Low risk basis
An approach where the discount rate used to assess the liabilities is determined based on a portfolio of investments (actual or notional) designed to provide an expected rate of return over the duration of the Fund's liabilities above market yields of Government bond investments, with a very high likelihood of being achieved [(c90%)]. This is usually adopted when an employer is exiting the Fund.

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.

McCloud Judgment
This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

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 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.

Primary Contribution Rate
The contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, 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. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates. See also “Employer’s future service contribution rate” above.

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 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.

SAB Funding Basis or SAB Basis
A set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2022 was [2.4% p.a.], so it can be substantially different from the actuarial assumptions used to calculated the Fund's solvency funding position and contribution outcomes for employers

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).

Secondary Rate of the Employer's Contribution
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.

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 2019 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.

Strain Costs
The costs arising when members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions, unless agreed with the administering authority. The costs are calculated by the Actuary.

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, expressed as an expected out-performance over CPI in the long term by the Fund's assets i.e. the "real rate".

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.

DYFED PENSION FUND

Business Plan 2023-24

Administered by:

Cyngor Sir Gâr
Carmarthenshire County Council

Contents

This Business Plan explains how the Dyfed Pension Fund intends to develop and improve its services.

It enables the Fund to focus on achieving agreed targets and helps staff see how they contribute to the overall success of the Dyfed Pension Fund.

About the Fund

The Dyfed Pension Fund is one of 97 funds making up the Local Government Pension Scheme.

Carmarthenshire County Council is the statutorily appointed Administering Authority for the Dyfed Pension Fund. It administers the benefits and invests the assets of the Fund.

Carmarthenshire County Council also acts as the administrator for the unfunded Police and Fire pension schemes for Dyfed Powys Police Authority, Mid & West Wales Fire and Rescue Service and North Wales Fire and Rescue Service respectively.

The Fund's LGPS membership base consists of 52,735 members (as at 31st March 2022) from 49 contributing employing authorities.

How the Fund is Run

All pension matters are delegated to the Pension Fund Committee and its members act as 'quasi trustees'.

The Committee delegates the day to day running of the Pension Fund to the Section 151 Officer and the Pensions Administration and Investment teams.

The Pensions Administration and Investment teams are responsible for all aspects of the Fund including administration, accounting, investment, and governance.

The Local Pension Board was established on 1 April 2015 under the requirements of the Public Service Pensions Act (PSPA) 2013. It has an oversight/assisting role with the Administering Authority in securing compliance with regulations and requirements and ensuring effective and efficient governance and administration of the Fund (see below).

The Dyfed Pension Fund aims to provide a high-quality service that is transparent, efficient and supportive to all stakeholders

The Pension Committee

Chairman of the Pension Fund Committee

Councillor Elwyn Williams

Committee Members

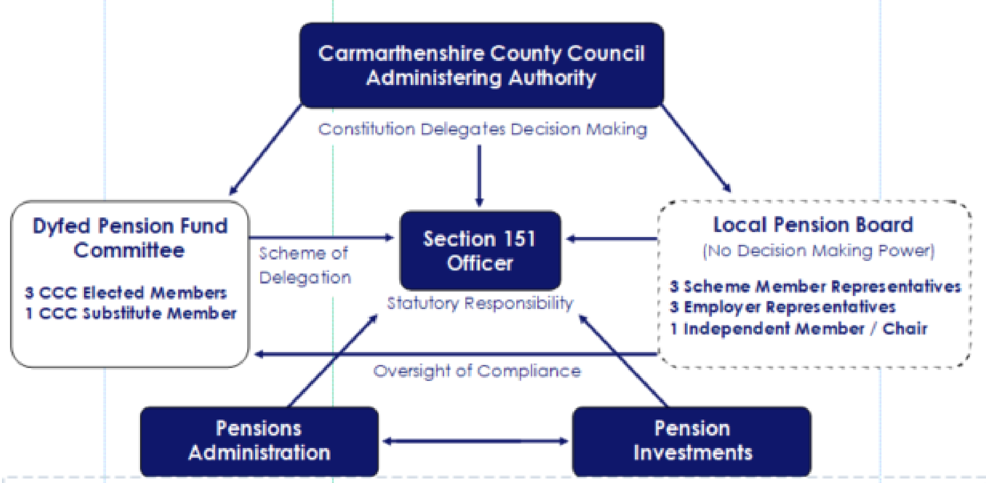
Councillor Dai Thomas

Councillor Rob James

Councillor Denise Owen (Substitute Committee Member)

Governance of the Fund

The relationship between the Dyfed Pension Fund Committee and operational management within Carmarthenshire County Council can be illustrated as follows. The detailed governance of the Fund is set out in the **Governance Policy**.



- The independent investment adviser advises the Committee on all aspects of investment management at quarterly and ad-hoc meetings.
- The custodian (Northern Trust) is responsible for the safe-keeping of the Fund's investment assets, arranges the settlement of sales and purchases and collects income on the investments held.
- The actuary (Mercer) carries out statutorily required fund valuations including the setting of employer contribution rates, IAS 19 schedules and other general actuarial advice.
- The performance management company (PIRC) reviews the performance of the investment managers relative to agreed benchmarks.

Principal Responsibilities

These responsibilities include:

- Pension administration services including calculating and paying benefits. To ensure accuracy of the member database in partnership with all stakeholders.
- Implementation of the funding strategy to ensure Fund assets are sufficient to meet pension liabilities.
- Investing Fund assets, implementing investment strategy, managing external investment managers.
- Internal management of assets and promoting responsible investment.
- Safekeeping and accounting of Fund assets.
- Preparing the Fund's annual report and accounts.
- Providing information and guidance on pension issues to employers and others.

Overall Goal of the Fund

To continuously develop our services by aiming to:

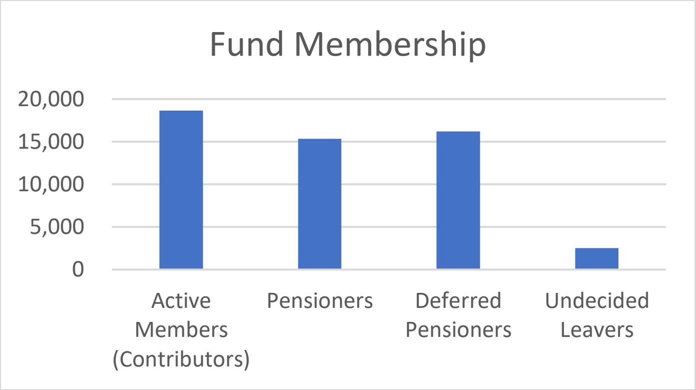
- Provide excellent customer care
- Support and develop staff
- Ensure that assets meet scheme liabilities
- Reduce the risk of employer contribution rate volatility

Customers of the Fund

Fund Membership

The Fund's members fall into four categories. The table below shows scheme membership as at 31st March 2022.

Active Members (Contributors)	18,643
Pensioners	15,342
Deferred Pensioners	16,214
Undecided Leavers	2,536
Total Membership	**52,735**



Employers of the Scheme Members

The Fund is dependent on the information provided by its employers in order to provide and maintain an accurate and effective service to members. The Dyfed Pension Fund has 49 contributing employing authorities participating in the Local Government Pension Scheme as at 31st March 2022.

Regulatory Bodies

The key bodies that the Fund liaise with include:

- The Department for Levelling Up, Housing and Communities – the regulatory body responsible for the LGPS.
- HM Revenues & Customs
- The Department for Work & Pensions
- The Pensions Regulator
- The Scheme Advisory Board

Key Policy Documents

Key policy documents which the reader may wish to refer to are available on the Dyfed Pension Fund website (**www.dyfedpensionfund.org.uk**):

- Administration Strategy & Service Standards
- Customer Charter
- Funding Strategy Statement
- Investment Strategy Statement
- Responsible Investment Policy
- Communication Policy Statement
- Governance Compliance Statement
- Governance Policy Statement

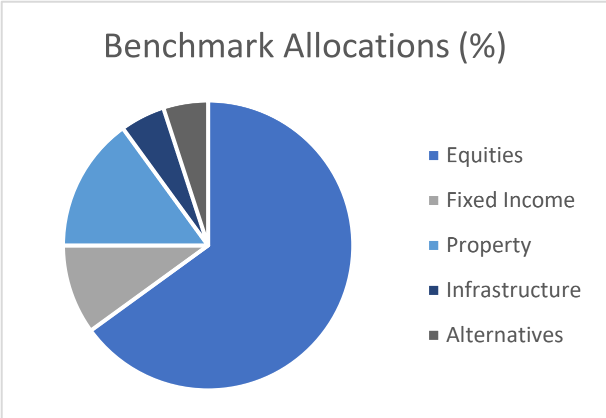
Business Objectives of the Fund

1. To ensure the effective management and governance of the Dyfed Pension Fund in a way that strives for continuous improvement through improved value for money, the promotion of excellent customer service and compliance with all regulatory and best practice requirements.
2. To ensure the proper administration, accounting and reporting of all the Dyfed Pension Fund's financial affairs.
3. To recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills.
4. To become a recognised role model of best practice amongst LGPS Funds and to be recognised by our customers as providing an excellent service.
5. To establish a strategic asset allocation benchmark which is expected to deliver the required investment return, at an accepted level of risk, in the long term.
6. To ensure that the assets of the Fund match or exceed its liabilities thus minimising and avoiding the volatility of the employers' contribution rate.
7. To provide a lean, effective, customer friendly benefits administration service, which ensures:
    - The calculation and payment of scheme benefits accurately and promptly;
    - The accurate maintenance of the records of all members of the Fund; and
    - Effective communication, as well as fair explanation and support to the Fund's scheme members and employer bodies.

Investments

The Fund's performance objectives are encapsulated in its strategic benchmark. The following illustrations show the Fund's investment strategy and benchmarks.

Asset Class	Benchmark (%)
Equities	65.0%
Fixed Income	10.0%
Property	15.0%
Infrastructure	5.0%
Alternatives	5.0%
Total	**100.0%**



The approach to investment of the Fund's assets is built around the policies and practices set out in the Investment Strategy Statement (ISS), Funding Strategy Statement (FSS) and Responsible Investment Policy.

The Fund has a range of managers, including the Wales Pension Partnership, and expert advisers in place to support its investment objectives detailed in its ISS.

The in-house management is formulated to provide advice on investment management, promote best practice and implement the decisions of the Committee.

Best practice having regard to:

- Myners' Principles
- Professional and industry standards
- Audit Wales, and other professional bodies' views, codes and recommendations
- Investment management regulations
- Accounting standards
- LGPS Regulations
- Overriding pensions legislation

Key Statistics

The Fund is over 100% funded as at the 31 March 2022 valuation

Primary employer contribution rate of 19.8%

Investment Return of 6.2% in 2021/22

Market Value of the Fund - £3,237m as at 31st March 2022

Draft Budget

April 2023 - March 2024	**Budget £'000**
Pensions Payable	92,432
Lump Sum, Death Benefits, Transfers Out	20,170
Administration Fees	881
Investment Management Expenses	7,950
Central Recharges	1,380
Expenditure	**122,813**
Employee Contributions	25,577
Employer Contributions	69,522
Investment Income	24,214
Transfers In	3,500
Income	**122,813**

Priorities

Ongoing Topic	Main Task
Scheme Developments	To implement amendments to the Local Government Pension Scheme as a consequence of legislation changes.
Committee Member training	To provide training for committee members on specific issues ahead of relevant decisions by the Committee.
Keep under review and refresh key policy documents	To seek committee member approval and formally publish documents e.g. Governance Policy, Communication Strategy, etc.
Investment Manager Reviews	Continuous review of existing managers' performance or new developments in the markets may trigger a review of part or all of the Fund's investments.
Investment Strategy Statement/Funding Strategy Statement	To implement any changes as a result of scheme developments and investment strategy reviews.
Guaranteed Minimum Pension (GMP) Reconciliation	Complete reconciliation of member data to that held by the HMRC in respect of contracted-out membership.
My Pension Online	Continue to promote the service to members.
i-Connect	Implement the i-Connect data exchange for uploading and improving data transfer for employers that wish to transfer data electronically.
Auto Enrolment	Ensure compliance with the implementation of auto enrolment in accordance with the requirement of the Pensions Act.
Improve access to personal information	Improve communication in line with best practice and serve the needs of our members and employers by: • developing and keeping up to date the Fund's website. • reviewing existing fact sheets and letters to improve readability.
Continue to develop a high performing team	To have a highly motivated staff team with the necessary professional, managerial and customer skills to provide excellent service.
Review of all Administration Procedures	To identify where more efficient customer focused procedures and processes can be adopted.
Continue to undertake regular road shows/seminars	To improve communications with the Fund's members.
Developing collaboration with other Local Government Pension Funds	Assess the opportunities for further collaboration.
Pension Board	Coordinate and provide ongoing support for Pension Board.
Wales Pension Partnership - Host Authority	Continue to provide Host Authority support to the Wales Pension Partnership.
Low/Non-Carbon Investments	Continue to review the Fund's carbon footprint including identifying further low carbon investment opportunities.

Developments/New Topic	Main Task
New Committee Member training	To provide training for new committee members.
New Local Pension Board Member training	To provide training for new board members.
Custody Services	Review the contract.
Strategic Asset Allocation	Review the strategic asset allocation of the Fund.
McCloud Judgement	Once regulatory clarity is received, a project plan will be developed to implement changes resulting from the judgement.
Data Quality	Ensure that the Data Quality scores in respect of both common and scheme specific data which are reported to the Pensions Regulator increase annually.
Actuarial Valuation	Implement results of the triennial valuation as at 31 March 2022.

Contacting the Dyfed Pension Fund

Pension Administration	Pension Investments & Governance
Dyfed Pension Fund Building 2 St David's Park Carmarthen SA31 3HB	Dyfed Pension Fund County Hall Carmarthen SA31 1JP
pensions@carmarthenshire.gov.uk	
www.dyfedpensionfund.org.uk	

Wales Pension Partnership

Business Plan

2023-2026

Contents

Introduction

This is the business plan for the Wales Pension Partnership ('WPP'), the business plan details the WPP's priorities and areas of focus for 2023/24, 2024/25 and 2025/26. The business plan is constantly monitored and will be formally reviewed and agreed every year. The purpose of the business plan is to:

- Explain the background and governance structure of the WPP
- Outline the priorities and objectives of the WPP over the next three years
- Outline the financial budget for the relevant Business Plan period
- Summarise the WPP's Investments & Performance Objectives

About the Wales Pension Partnership

Established in 2017, the WPP is a collaboration of the eight LGPS funds (Constituent Authorities) covering the whole of Wales and is one of eight national Local Government Pension pools. We have a long, successful history of collaboration, including examples that pre-date the Government's pooling initiative. We are proud of our unique identity as a Pool – our Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

Our operating model is designed to be flexible and deliver value for money. We appointed an external fund Operator and make use of external advisers to bring best of breed expertise to support the running of the Pool, this includes Hymans Robertson who have been appointed as the WPP's Oversight Advisor. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions with the aim of achieving strong net of fee performance for all the Constituent Authorities. We have a shared vision and agreement on the means and pace at which this vision will be achieved. The eight LGPS Funds (Constituent Authorities) of the Wales Pension Partnership are:

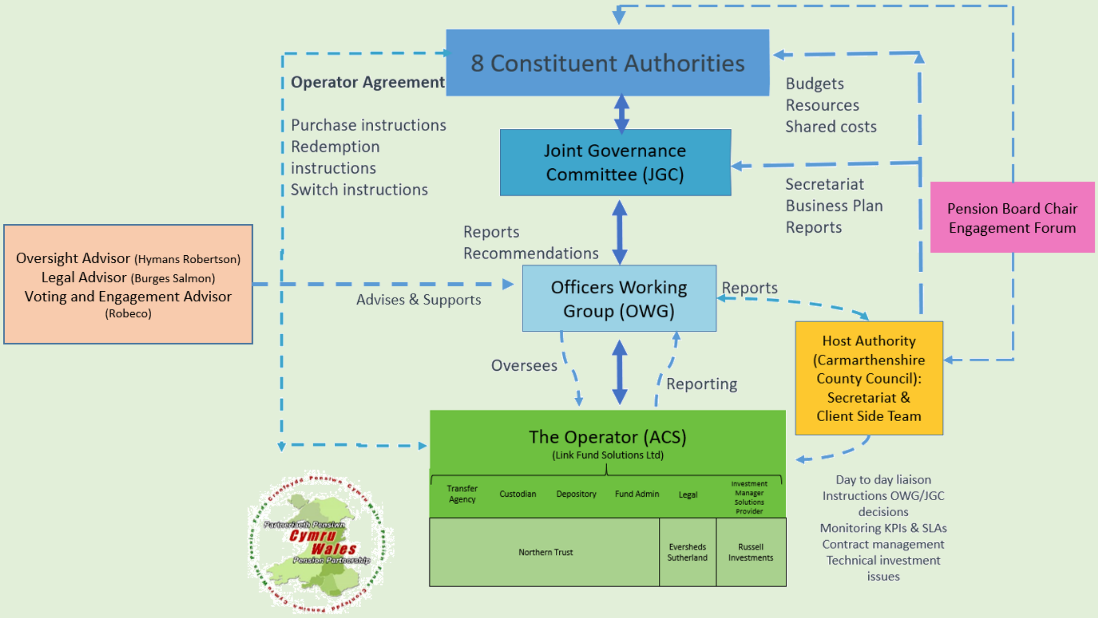
Governance

The WPP is responsible for ensuring that its business is conducted in accordance with regulation and guidance. We must also ensure that: public money is safeguarded and properly accounted for, used economically, efficiently and effectively to ensure value for money. We also strive for continuous improvement and to conform with industry best practice.

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA), which defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers. The IAA includes a Scheme of Delegation outlining the decision-making process, taking into account the relevant legislation. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure, which has been designed to:

- Deliver on its objectives
- Be flexible and adaptive
- Demonstrate its commitment to the highest standards of governance
- Meet the needs of its stakeholders
- Foster collaboration and communication within the WPP
- Be transparent
- Be cost effective

The diagram below shows WPP's governance structure:



The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving this Business Plan, which outlines the WPP's budget and workplan, as well at its beliefs and objectives. The Constituent Authorities are heavily involved in all aspects of the WPP's governance structure, while the WPP's Joint Governance Committee and Officers Working Group are comprised respectively of elected councillors, scheme member representative and officer representatives from the Constituent Authorities.

The WPP believes in being open and transparent as well as regularly engaging with its key stakeholders. As such the WPP ensures the meetings of the Joint Governance Committee are accessible to the public via a live webcast stream. Meeting papers are also made publicly available. Local Pension Board engagement days are also held regularly as a means of fostering stakeholder engagement. The WPP recognises the importance of all of its stakeholders to reflect this the WPP has put in place an Engagement Protocol Framework, this is carried out via the following engagement mechanisms:

Engagement mechanisms and Frequency:

• Strategic Relationship Review meeting	Bi-Annual
• JGC Engagement	Quarterly
• Manager Performance Meetings/ Calls	Quarterly
• Training Events	Quarterly
• OWG Engagement	Quarterly
• Bi-weekly meetings	Every 2 weeks
• Pension Fund Committees	Annual
• Manager Engagement Days	Annual
• Member Communications	Annual
• Pension Board Engagement	Every 6 months
• Engagement via the website & LinkedIn	Continuous
• Constituent Authority Annual Requirements & Ambitions Questionnaire	Annual

Risk Management

The Wales Pension Partnership ('WPP') recognises that it faces numerous risks which, if left unmanaged, can limit the WPP's ability to meet its objectives and to act in the best interest of its stakeholders and beneficiaries. However, the WPP also understands that some risks cannot be fully mitigated and that in these instances' risks need to be embraced through active and effective management.

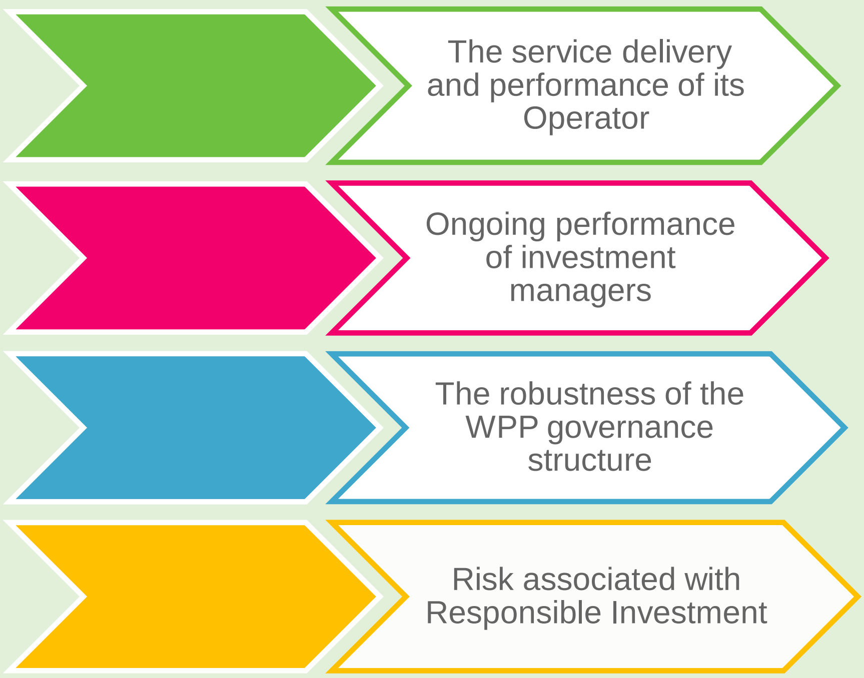
Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy. This strategy will be embedded into the WPP's governance framework to ensure better decision-making, improved outcomes for stakeholders and greater efficiency.

The WPP's risk strategy seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP believes that risks are fluid in nature and that the severity and probability of risks can change rapidly and without warning. To reflect this belief, the WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

To deliver on its objectives, the WPP needs to carry out activities or seize opportunities that subject it to risk. The extent to which the WPP is able to effectively balance risk and return will depend on the success of its Risk Policy. It is critical that prior to making decisions the WPP understands the associated risks and considers the means by which these risks could be managed.

The greatest risk to the WPP's continued operation is its ability to deliver on its primary objectives. The WPP's Business Plan is an additional means through which the WPP will give special recognition to risks that pose a material threat to the delivery of its objectives and the actions required to manage these risks.

During the course of this business plan the WPP will seek to develop mechanisms, frameworks and process for managing the following key risks:



Objectives

The WPP is proud to represent the eight Constituent Authorities and recognises its duty to ensure the needs and requirements of all stakeholders are met. The WPP, through consultation with all eight Constituent Authorities, has formulated a list of primary objectives these can be summarised as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical)
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities.
- To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments
- To deliver an investment framework that achieves the best outcomes for its key stakeholders; the Constituent Authorities. The Constituent Authorities will be able to use this framework to deliver the best outcomes for their Scheme Members & Employers

The eight Constituent Authorities recognise that their strength derives from their shared beliefs and their ability to work together to deliver on their unified objectives for the benefit of all WPP stakeholders.

Beliefs

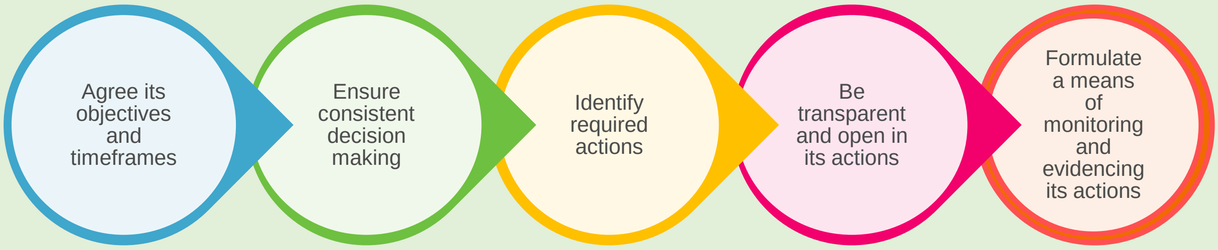
The WPP's Beliefs reflect the collaborative nature and shared values of the Constituent Authorities, they are as follows:

- The WPP's role is to facilitate and provide an investment pooling platform through which the interests of the Constituent Authorities can be implemented
- Good governance should lead to superior outcomes for the WPP's stakeholders
- Internal collaboration between the Host and Constituent Authorities is critical to achieving the WPP's objectives. External collaboration may also be beneficial in delivering cost savings and better outcomes for stakeholders
- Responsible Investment and effective Climate Risk mitigation strategies, alongside consideration and evidential management of broader Environmental, Social and Governance issues, should result in better outcomes for the WPP's stakeholders
- Effective internal and external communication is vital to achieving the WPP's objectives
- External suppliers can be a cost-effective means of enhancing the WPP's resources, capabilities and expertise
- Fee and cost transparency will aid decision making and improve stakeholder outcomes
- Continuous learning, innovation and development will help the WPP and its Constituent Authorities to evolve
- flexible approach to the WPP pool structure and implementation methods will enable the WPP pool to adapt in future and continue to meet the needs of its stakeholders.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

Policies

The WPP believes that good governance should lead to superior outcomes for the WPP's stakeholders. In recognition of this belief, the WPP, in consultation with the Constituent Authorities, has developed a robust governance structure and framework and a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP understands the importance of formulating and codifying its policies and procedures. This process allows the WPP and the Constituent Authorities, to:



The WPP's key policies, registers and plans are listed below and can be found on the WPP website.

The WPP's policies are reviewed on a regular basis and the WPP will continually assess whether any additional policies, registers or plans are required. The WPP workplan includes a number of additional governance documents that will be developed, these will be made available on the WPP website once completed. The policies play a vital role in the WPP's governance arrangements and have been formulated with the sole purpose of providing a codified framework which will ensure that the WPP achieves its objectives in an effective and transparent means.

Work Plan

The tables below shows key priorities and objectives that the WPP aims to complete over the next three years. The workplan has been broken down into a number of key sections which are all vital to the continued success of the WPP

- **Governance** - The WPP believes that good governance leads to better outcomes for its stakeholders, as such it will further develop its governance framework by developing additional policies, registers, plans and carry out ongoing reviews of its existing governance documents and structure.
- **Ongoing Sub-Fund development** – To date the WPP has pooled c72% of its assets and a number of other sub funds are in the process of being developed. The WPP will continue to consult with the Constituent Authorities to ensure that all suitable assets are pooled.
- **Operator Services** - The Operator, alongside the third parties that it employs on behalf of the WPP, are critical to the ongoing activities of the WPP, therefore service delivery of the Operator and third-party suppliers are crucial. The current operator contract comes to an end in December 2024.
- **Investments and Reporting** - The WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to Constituent Authority requirements, while also delivering the investment return expectations of the Constituent Authorities. The WPP will continue to deliver on its reporting requirements and will develop further reporting, as and when required.
- **Communication and Training** - The WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publishes numerous report and updates to ensure that it proactively communicates its progress to stakeholders. These can all be found on the WPP website.
- **Resources, Budget and Fees** - The WPP recognises that insufficient resources poses a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders, the WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

Work to be completed	2023 - 2024	2024 - 2025	2025 - 2026
Governance			
Development of a WPP Breaches and Errors Policy	✔		
Legal Services provider contract (initial 3 year review)	✔		
Oversight Advisor procurement process		✔	
Voting & Engagement Service provider procurement process		✔	
Ongoing review of Inter Authority Agreement	✔	✔	✔
Annual review of WPP's policies and plans	✔	✔	✔
Quarterly reviews of the Risk Register	✔	✔	✔
Respond to any pooling related consultations and carry out any necessary changes as a result of consultation outcomes	✔	✔	✔
Ongoing Sub-Fund development			

Launch of Private Debt & Infrastructure Sub-Funds	✓		
Launch Sustainable Equities Sub-Fund	✓		
Launch of Private Equity Sub-Fund	✓		
Formulate the WPP's Property requirements and optimal means of implementation & launch the property Sub-funds	✓	✓	
Consideration of WPP's Levelling up / impact requirements	✓	✓	
Launch of other Private Market sub-funds (TBC)	✓	✓	✓
Consultation with CAs on need for further sub-funds, review and develop a mechanism to pool any suitable non-pooled assets	✓	✓	✓
Consideration of Local Investment opportunities	✓	✓	✓
Operator Services			
Operator contract / procurement process	✓	✓	
New Operator Contract		✓	
Operator Oversight	✓	✓	✓
Investments and Reporting			
Review Sub-Fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs	✓	✓	✓
Task Force on Climate-related Financial Disclosures (TCFD) reporting	✓	✓	✓
Stewardship Code reporting	✓	✓	✓
Consider additional reporting that demonstrates WPP's commitment to Responsible Investment	✓	✓	✓
On-going Investment Manager performance reporting, scrutiny and challenge	✓	✓	✓
Annual review of WPP's Cost Transparency Requirements	✓	✓	✓
Annual performance review of WPP Sub Funds (Equity and Fixed Income)	✓	✓	✓
On-going engagement with Constituent Authorities regarding minimum ESG / RI standards and their climate ambitions	✓	✓	✓
Communication and Training			
Formulation of WPP's Annual Responsible Investment Progress Report	✓	✓	✓
Formulation of the WPP's Annual Training Plan	✓	✓	✓
Formulation of the WPP's Annual Update	✓	✓	✓
Formulation of the WPP's Annual Report	✓	✓	✓
Resources, Budget and Fees			
Annual review of resources and capacity	✓	✓	✓
Formulation of Annual WPP Budget	✓	✓	✓
Review and Monitoring of Operator / external provider fees	✓	✓	✓

Training Plan

It is best practice for WPP personnel to have appropriate knowledge and understanding of:

- the regulations and markets relating to pensions;
- the pooling of Local Authority Pension Schemes; and
- relevant investment opportunities.

The WPP's training plan is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

WPP personnel should obtain a degree of knowledge and understanding that ensures they are able to carry out their duties associated with the WPP. WPP personnel should also be aware of the WPP's framework, beliefs, polices, governance matrix, the decision-making process and decision logging process.

To aid WPP personnel, the Host Authority will arrange quarterly training sessions which will cover major areas such as investments, administration, regulation requirements, government guidance and market developments. The WPP's training events will primarily focus on meeting the training needs of members of the OWG and JGC, however Constituent Authorities are encouraged to invite Pension Committee Members, as well as Pension Board Representatives if they believe that the training would be beneficial to these individuals.

We have set out below a list of training topics which the Host Authority will arrange training for during the 2022/2023 financial year. WPP's training topics are based on current WPP topical priorities and from an analysis of the WPP training requirements questionnaire/ assessment responses, completed by members of the Joint Governance Committee ('JGC') and Officers Working Group ('OWG').

Product Knowledge

- Private Market Asset Classes – Private Equity / Property
- Levelling up / development opportunities

Reporting

- TCFD reporting
- Performance reporting

Responsible Investment

- Voting & Engagement
- RI within the WPP sub funds

Market Understanding & Regulatory Requirements

- Progress of other LGPS pools & Collaboration Opportunities
- Pooling Guidance

Budget

The table below outlines the WPP's budget for the next three years.

	2023-24	2024-25	2025-26
	£'000	£'000	£'000
Host Authority *	200	205	209
External Advisors *	1,448	1,130	1,040
TOTAL to be recharged	**1,648**	**1,335**	**1,249**
Operator / Allocator Services **	37,257	40,982	45,080
TOTAL to be deducted from the NAV	**37,257**	**40,982**	**45,080**

**Host Authority and External Advisor costs are to be funded equally by all eight of the WPP's Constituent Authorities and these will be recharged on an annual basis.*

***Operator / Allocator Services costs are based on each Constituent Authority's percentage share of WPP assets and are deducted directly from the Net Asset Value (NAV) of the Constituent Authority's assets.*

Investments & Performance

The WPP's Constituent Authorities have total assets of circa £23bn (as at 31 March 2022). The Constituent Authorities' passive investments are effectively within the Pool but are held by the respective WPP authorities in the form of insurance policies.

The Officers Working Group receives quarterly, six monthly and annual performance reports, the group reviews and challenges the performance of Investment Managers on behalf of the WPP. The WPP hosts annual manager engagement days, which are used to challenge managers and to facilitate engagement with Constituent Authority Pension Committee and Board Members and the WPP's Investment Managers. The Constituent Authorities also carry out their own analysis of WPP's investment performance at local level, this will include manager attendance at Pension Committees. Below we outline the WPP's existing Sub-Funds.

Equity Sub-Funds

Global Growth Fund

Managed by Link

Portfolio Value: £2bn

Global Opportunities Fund

Managed by Russell Investments

Portfolio Value: £2bn

UK Opportunities Fund

Managed by Russell Investments

Portfolio Value: £0.6bn

Emerging Markets Fund

Managed by Russell Investments

Portfolio Value: £0.6bn

* Portfolio Values as at launch date

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Growth	MSCI ACWI ND	RCT, Dyfed, Gwynedd, Cardiff and Powys	Baillie Gifford, Veritas and Pzena	Feb 19
Global Opportunities	MSCI ACWI ND	Swansea, Torfaen, Gwynedd, RCT, Cardiff and Clwyd	Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, Nissay, Intermede and Oaktree	Feb 19
UK Opportunities	FTSE All Share	Cardiff and Torfaen	Liontrust (Majedie), Lazard, Baillie Gifford, Ninety-One, J O Hambro and Liontrust	Sept 19
Emerging Markets	MSCI Emerging Markets Index	Cardiff, Clwyd, Gwynedd and Torfaen	Artisan, Bin Yuan, Barrow Hanley, Axiom, Numeric and Oaktree	Oct 21

Fixed Income Sub-Funds

Absolute Return Bond Fund

Managed by Russell Investments

Portfolio Value: £0.4bn

Global Government Bond Fund

Managed by Russell Investments

Portfolio Value: £0.5bn

Multi-Asset Credit Fund

Managed by Russell Investments

Portfolio Value: £0.6bn

Global Credit Fund

Managed by Russell Investments

Portfolio Value: £0.8bn

UK Credit Fund

Managed by Link

Portfolio Value: £0.5bn

*** Portfolio Values as at launch date**

Sub Fund	Performance Benchmark	Participating Funds	Underlying Investment Managers	Launch Date
Global Credit	Bloomberg Barclays Global Aggregate Credit Index (GBP Hedged)	Cardiff, Dyfed, Powys and Torfaen	Western, Metlife, Fidelity and T Rowe Price	July 20
Global Government	FTSE WGBI Index	Cardiff and Torfaen	Bluebay and Colchester	July 20
Multi-Asset Credit	3 Month GBP SONIA plus 4%	Cardiff, Clwyd, Gwynedd, Powys, and Swansea	ICG, Man GLG, BlueBay, Barings and Voya	July 20
Absolute Return Bond Fund	3 Month GBP SONIA plus 2%	Gwynedd, Powys and Swansea	Wellington, Putnam, Aegon and Insight	Sept 20
UK Credit Fund	ICE BofA ML Eur-Stg plus 0.65%	RCT	Fidelity	July 20

Contact Details

If you require further information about anything in or related to this business plan, please contact the Wales Pension Partnership:

Postal Address - Wales Pension Partnership

Carmarthenshire County Council

Treasury & Pension Investments Section

County Hall

Carmarthen

SA31 1JP

E-mail - WalesPensionPartnership@carmarthenshire.gov.uk

Telephone - (01267) 224136

Further information on the WPP and ongoing updates on the WPP's progress can be found on the website and LinkedIn page.

The website can be found here:

https://www.walespensionpartnership.org/

Wales Pension Partnership

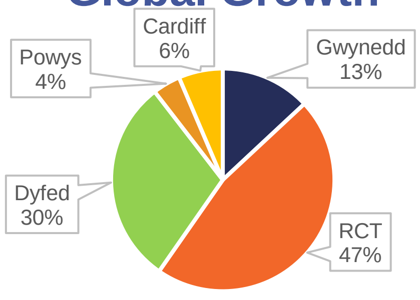
Q3 2022 review

Joint Governance Committee
5 December 2022

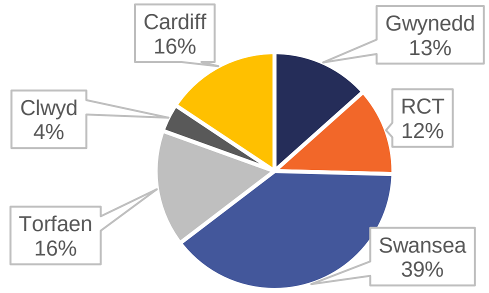
Agenda Item 4.11

September 2022 Fund Snapshot - Equities

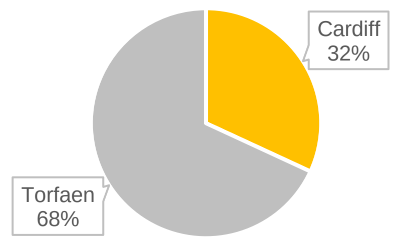
Global Growth



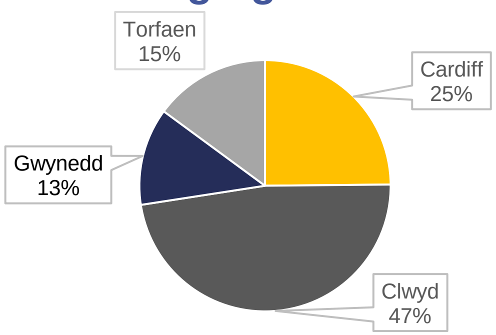
Global Opportunities



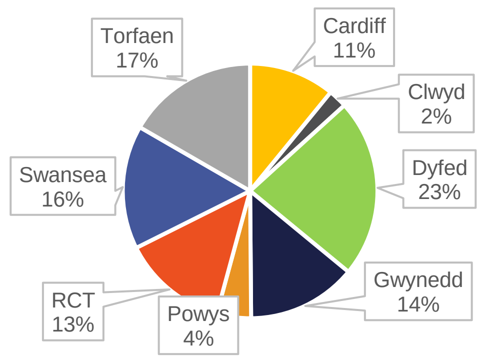
UK Opportunities



Emerging Markets



Passive*



Key:
- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- Cardiff

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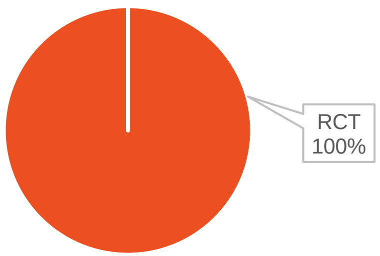
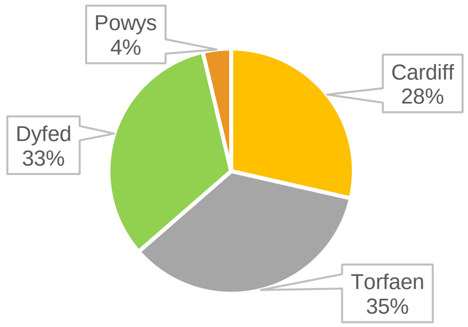
* Assets with BlackRock

September 2022 Fund Snapshot - Fixed Income

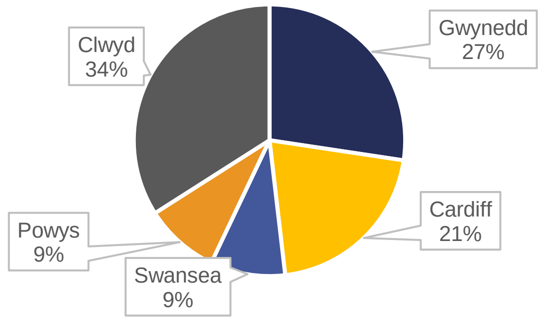
Sterling Credit



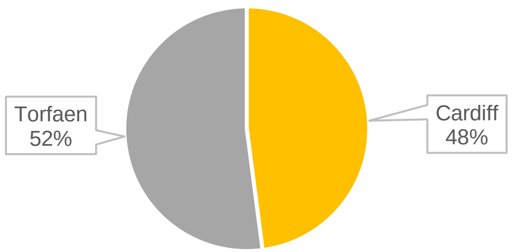
Global Credit



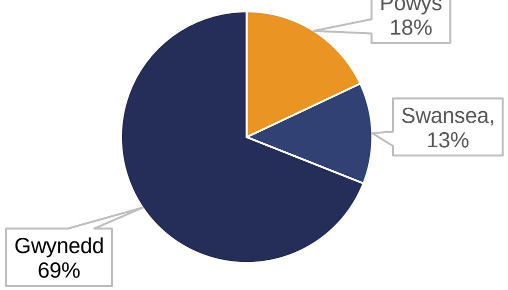
Multi Asset Credit



Global Gov. Bond



Absolute Return Bnd



Key:
- Dyfed
- Powys
- Gwynedd
- RCT
- Torfaen
- Clwyd
- Swansea
- Cardiff

September 2022 LF Wales PP Fund AUM

Fund	AUM	Inception date
Global Growth	£3,000,487,187.59	6th Feb 2019
Global Opportunities	£3,122,688,711.96	14th Feb 2019
UK Opportunities	£647,541,621.15	10th Oct 2019
Emerging Markets	£425,176,820.03	20th Oct 2021
Sterling Credit	£477,130,542.98	19th Aug 2020
Global Credit	£659,822,383.54	21st Aug 2020
Multi Asset Credit	£602,517,347.75	12th Aug 2020
Global Government Bond	£461,325,109.56	20th Aug 2020
Absolute Return Bond	£520,717,180,53	30th Sept 2020
Total Active Investments	**£9,917,406,905.09**	
Total Passive Investments	**£4,945,012,009.12**	
Total Pooled Assets	**£14,862,418,914.21 as at 30 September 2022**	

Fund Launches & Updates

Progress Report

Fund Activity in the Period

Key Achievements & Updates

Fund Launches Progress

	Overview	Status	Progress in period	Launch / completion dates
New Investment Manager	▪ Addition of Intermede to the Global Opportunities fund	In progress	▪ New Investment Manager 'Intermede' live on the 1 November 2022	Complete
Sustainable Equity fund	▪ Establishment of a sustainable equities fund	In progress	▪ Russell Investments presented paper to OWG 1st Feb ▪ Number of meetings with Russell and internal investment teams ongoing. ▪ LFS Governance forms being completed with Russell assistance ▪ All 8 authorities will look to invest into the new fund ▪ Timetable provided with potential launch early March 2023, but will look to reduce times where possible ▪ Transition Manager evaluation paper to be shared with WPP with preferred TM documented	Q1-23 (full timetable to be provided)

LFS Corporate Update & Engagement

LFS Corporate Update & Engagement

LFS updates

- Since the last Joint Governance Committee on 8 July 2022 a number of discussions were held regarding the proposed acquisition of Link Group by Dye & Durham Corporation. Despite obtaining all regulatory approvals the deal did not proceed.

- The FCA has issued a draft warning notice to LFSL in respect of the Woodford matter. This states that the FCA has assessed the appropriate penalty as £50m (prior to taking into account any available discount) in addition to a restitution payment of up to £306,096,527. The draft warning notice is not a final decision but signals the start of the FCA's settlement decision process. LFSL are exploring all options, including engaging in settlement discussions with the FCA, and challenging any warning notice that may be issued. Engagement with the FCA continues.

- Link Group announced in October the intention to commence a process to explore divestment options for the Link Fund Solutions business, which includes Link Fund Solutions Limited (LFSL), and that Macquarie Capital and UBS Securities Australia Ltd have been appointed as advisers.

LFS Corporate Update & Engagement

Key Q3 and future WPP Engagement

Link attendance at OWG/JGC meetings in period:

- OWG 12 July 2022
- JGC 8 July 2022

Link attendance at OWG/JGC meetings in next quarter:

- OWG 14 October 2022
- JGC 5 December 2022

Link - Pension Committee attendance in period:

- None

Link - Pension Committee attendance in next quarter :

- None

Other meetings in period

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly
- WPP briefing / training session – (First session)

Other meetings in next quarter

- Host Authority update – occurs bi-weekly
- Working group - occurs bi-weekly
- WPP Training Session 2022/23 (Second training session)
- MI meeting scheduled for October
- Pension Board Chairs Engagement meeting 26 October 2022

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 ▪ James Zealander, 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** ▪ James Zealander, Senior Relationship Manager ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Alistair Coyle/Heidi Robinson, Relationship Managers (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 ▪ James Zealander, Senior Relationship Manager ▪ Alistair Coyle/Heidi Robinson, Relationship Managers (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		▪ James Zealander, Senior Relationship Manager ▪ Alistair Coyle/Heidi Robinson, Relationship Managers (as required) ▪ Richard Thornton, Head of Relationship Management, Asset Owners ▪ Russell Investments

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DYFED PENSION FUND

Committee Members and Officers Training 2022-2023

Committee Members

Councillor Elwyn Williams (EW) – Chair
Councillor Dai Thomas (DT) – Committee Member
Councillor Rob James (RJ) – Committee Member
Councillor Denise Owen (DO) – 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
13 April 2022	Business Meeting	LAPFF	London	AP
13 – 15 June 2022	LA Conference	PLSA	Glouc.	KG & MO
28 June 2022	Committee Meeting		Hybrid	CM, RH, AP, KG, MO & all members
4 – 6 July 2022	Strategic Investment Forum	LAPF	The Grove Hotel, Herts	AP
13 July 2022	Business Meeting	LAPFF	London	AP & DT
6 September 2022	Schroders Briefing		Carmarthen	CM, RH, AP, KG, MO & all members
8 – 9 September 2022	Investment Summit	LGC	Leeds	CM & DT
22 September 2022	WPP Training Session		Online	AP, MO, RJ & DO
5 October 2022	AGM & Business Meeting	LAPFF	Online	AP & DT
11 October 2022	Committee Meeting		Hybrid	CM, AP, KG, MO, EW, DT & RJ

18 October 2022	Fundamentals Training	LGPC	Online	RJ & DO
19 October 2022	WPP Training Session		Online	AP, MO & EW
9 – 10 November 2022	Baillie Gifford LGPS Seminar		Edinburgh	AP, EW & RJ
15 – 16 November 2022	Pension Managers Conference	SWPE	Torquay	KG & MM
22 November 2022	Fundamentals Training	LGPC	Online	RJ & DO
22 November 2022	ACM		Llanelli	All members & officers
23 November 2022	Committee Meeting		Hybrid	CM, RH, AP, KG, MO & all members
28 – 29 November	Russell Investments Summit		London	CM, AP & EW
5 December 2022	WPP Training		Online	AP, MO & EW
7 – 9 December 2022	Annual Conference	LAPFF	Bournemouth	RH & DT
20 December 2022	Fundamentals Training	LGPC	Online	RJ & DO
19 – 20 January 2023	Governance Conference	LGA	Cardiff/ Online	AP & MO
25 January 2023	Business Meeting	LAPFF	London	AP & DT
7 – 8 February 2023	Pension Fund Accounts	CIPFA	Online	MO
27 February 2023	WPP Training		Online	CM, AP, MO & EW
28 March 2023	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT & RJ
30 – 31 March 2023	Investment Seminar	LGC	Carden Park	AP & EW

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

Committee Members and Officers Training 2023-2024

Committee Members

Councillor Elwyn Williams (EW) – Chair
Councillor Dai Thomas (DT) – Committee Member
Councillor Rob James (RJ) – Committee Member
Councillor Denise Owen (DO) – 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
19 April 2023	Business Meeting	LAPFF	Hybrid/ London	AP & DT
25 – 26 April 2023	Pooling Symposium	DG Publishing	The Belfry	AP
26 June 2023	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT & RJ
26 – 28 June 2023	LA Conference	PLSA	Glouc.	KG, AP & EW
4 – 6 July 2023	Strategic Investment Forum	LAPF	The Grove Hotel, Herts	AP
12 July 2023	Business Meeting	LAPFF	Hybrid/ London	AP & DT
7 & 8 September 2023	Investment Summit	LGC	Leeds	CM & RJ
22 September 2023	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT & RJ
4 October 2023	AGM & Business Meeting	LAPFF	Hybrid/ London	AP & DT

October 2023	Fundamentals Training	LGPC	Online	tbc
21 -22 November 2023	Pension Managers Conference	SWPE	Torquay	KG & MM
November 2023	Fundamentals Training	LGPC	Online	tbc
14 November 2023	ACM		Llanelli	All members & officers
15 November 2023	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT & RJ
6 – 8 December 2023	Annual Conference	LAPFF	Bournemouth	RH & tbc
December 2023	Fundamentals Training	LGPC	Online	tbc
January 2024 (tbc)	Business Meeting	LAPFF	London	AP & tbc
February 2024 (tbc)	Pension Fund Accounts	CIPFA	Online	MO
March 2024 (tbc)	Committee Meeting		Hybrid	CM, RH, AP, KG, MO, EW, DT & RJ
March 2024 (tbc)	Investment Seminar	LGC	Carden Park	AP & tbc

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 COMMITTEE

TUESDAY, 28 MARCH 2023

PRESENT: Councillor D.E. Williams (Chair)(In Person);

Councillors (Virtually):
D. Thomas and R. James;

Also in attendance (In Person):
A. Brown – Independent Investment Advisor;
J. Brown – Russell Investments;
A. Quinn – Russell Investments;
J. Zealander – LINK Group;

Also in attendance (Virtually):
J. Blewitt – Audit Wales;

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

The following Officers were in attendance (Virtually):
R. Hemingway, Head of Financial Services.

Chamber, County Hall, Carmarthen and remotely: 10.00 am - 12.00 pm

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTERESTS

There were no declarations of personal interest.

3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 23RD NOVEMBER 2022

UNANIMOUSLY RESOLVED that the minutes of the meeting of the Committee held on the 23rd November, 2022 be signed as a correct record.

4. DYFED PENSION FUND PENSION BOARD MINUTES 18TH OCTOBER 2022

UNANIMOUSLY RESOLVED that the minutes of the Dyfed Pension Fund Pension Board meeting held on the 18th October, 2022 be received.

5. **OUTLINE AUDIT PLAN 2023**

The Committee welcomed to the meeting Jason Blewitt from Audit Wales who presented the Outline Audit Plan 2023 for the Dyfed Pension Fund which detailed the following:

• Audit responsibilities;
• Fees and audit team;
• Audit timeline;
• Audit quality;
• Key changes to ISA315 and the potential impact on the Fund.

In an update to the circulated report the Committee was advised that due to resource pressures within Audit Wales the deadline for the signing off of audited accounts for 2022/23 had been set at 30th November 2023 but there was a commitment to bring forward that deadline over subsequent years. Additionally, following a fee consultation, there would be a 4.8% increase in fees for some financial and performance audits and a 10.2% increase for ISA 315 financial audit work resulting in a 15% increase overall of the financial audit element of the fee. Letters detailing the increases would shortly be sent out to all Section 151 Officers.

UNANIMOUSLY RESOLVED that the Outline Audit Plan 2023 be approved.

6. **BUDGET MONITORING 1 APRIL 2022 - 31 DECEMBER 2022**

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2022/23 financial year. It was noted that the current position, as at 31st December 2022, forecasted an under-spend of £6.9m in cash terms.

Expenditure was projected to be overspent by £1m. Benefits payable were forecast to be £1.4m more than budget and management expenses were forecast to be £714k lower than budget.

In terms of income, the net effect of contributions and investment income was an increase of £7.9m, due mainly to higher than budgeted investment income forecast.

Overall total expenditure was estimated at £108.8m and total income estimated at £115.7m resulting in a positive cash flow position of £6.9m.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget Monitoring Report for the period 1st April 2022 to 31st December 2022 be received.

7. **DYFED PENSION FUND BUDGET 2023-2024**

The Committee considered the Dyfed Pension Fund Budget for 2023-24. It was noted that the cash related expenditure for 2023-24 had been set at £122.8m and the cash related income at £122.8m, resulting in a net budget of £0 which provided the Fund with flexibility to utilise investment income based on cash flow requirements.

With regard to expenditure levels, the Committee noted that benefits payable had been estimated to be £108.9m which included provision for a 10.1% pensions increase, based on the September 2022 CPI together with a 2.5% net effect for new pensioner members and deferred members.

Management expenses had been estimated at £10.2m, of which £7.95m had been budgeted for investment manager fees.

It was noted that Investment income was estimated at £24.2m to maintain a cash neutral budget so that the fund was not holding onto surplus cash that could be invested.

The non-cash related budget had been set at £50m based on an estimate of the realised gains and losses for individual manager portfolio rebalances and sales and purchases within the property portfolios.

UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget for 2023-24 be approved.

8. CASH RECONCILIATION AS AT 31 DECEMBER 2022

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 31st December, 2022, £3.2m 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. 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, breaches register, i-Connect, GMP reconciliation, Data Quality reports and workflows.

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

10. BREACHES REPORT 2022-2023

The Committee 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 provided guidance on reporting these breaches.

The Dyfed Pension Fund Breaches Policy had been 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 few instances where employee/employer contributions had not been received on time. A report would be sent to The Pensions Regulator in relation to an employer who had regularly missed payments and failed to provide documentation. This employer owed the Fund £3,433.42 for the period 1 September 2022 – 31 January 2023.

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

11. RISK REGISTER

The Committee 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. Since the previous Committee meeting the Risk Register had been reviewed and the following two risks had been amended:

- DPFOP0010 (Failure to appropriately attract, manage, develop, and retain staff at all levels) – the uncontrolled risk had been updated to reflect a high risk (previously scored as medium risk) and the controlled risk had been updated to reflect medium risk (previously low risk). An additional control had been inserted stating that the Carmarthenshire County Council recruitment and retention policy is implemented;
- DPFOP0017 – the nature of risk had been expanded from a failure to meet statutory deadlines leading to qualification of the accounts, to a broader risk including failure to maintain robust working papers which did not provide assurance of the accuracy of the accounts. An additional control had been inserted being attendance at CIPFA Pension Fund Accounts training and the review of CIPFA Pension Fund example accounts.

UNANIMOUSLY RESOLVED that the risk register report be approved.

12. DRAFT FUNDING STRATEGY STATEMENT

The Committee received for consideration the Draft Funding Strategy Statement ("FSS") which established a clear and transparent funding strategy that would identify how each Fund employer's pension liabilities were to be met going forward. It was noted that all interested parties connected with the Dyfed Pension Fund had been consulted and given opportunity to comment prior to Statement being finalised and adopted.

UNANIMOUSLY RESOLVED that the Draft Funding Strategy Statement be approved.

13. BUSINESS PLAN 2023-2024

The Committee received for consideration the Dyfed Pension Fund Business Plan for the period 2023-2024 which detailed how the Fund would achieve its goals and set out the plans from a marketing, financial and operational viewpoint.

UNANIMOUSLY RESOLVED that the Wales Pension Partnership Business Plan for the period 2023-24 be approved.

14. WALES PENSION PARTNERSHIP (WPP) BUSINESS PLAN 2023-2026

The Committee received for consideration the Wales Pension Partnership Business Plan for the period 2023-2026 detailing how the Fund would achieve its objectives and ensuring the allocation of sufficient resources to meet those objectives.

UNANIMOUSLY RESOLVED, subject to approval by the WPP Joint Governance Committee, that the Wales Pension Partnership Business Plan for the period 2023-26 be approved.

15. WALES PENSION PARTNERSHIP (WPP) - OPERATOR UPDATE

The Chair welcomed representatives from the LINK Group and Russell Investments who presented update reports on the milestones and progress of Wales Pension Partnership (WPP) including the following Sub Funds:-

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

UNANIMOUSLY RESOLVED that the updates on the milestones and progress of the Wales Pension Partnership be received.

16. TRAINING PLAN

The Committee received for consideration the final Training Plan for 2022-2023 and the new Training Plan for 2023-2024 detailing the schedule of Committee meetings and training events for members and officers of the Dyfed Pension Fund.

UNANIMOUSLY RESOLVED to note the Training Plan 2022-2023 and approve the Training Plan 2023-2024.

17. EXCLUSION OF THE PUBLIC

UNANIMOUSLY 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.

18. INDEPENDENT ADVISOR PERFORMANCE & RISK REPORT TO 31 DECEMBER 2022

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 17 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 31st December, 2022.

The report also included the global market background and issues for consideration.

UNANIMOUSLY RESOLVED

18.1 that the Independent Investment Adviser Report as at 31st December 2022 be noted;

18.2 that, for the reasons indicated in the report, £50m equity be sold from the UK passive portfolio and reinvested in the WPP Global Credit portfolio, and that delegated authority be given to the Director of Corporate Services to rebalance the portfolio, within strict rebalancing rules, to ensure smaller tactical rebalances can occur in a timely fashion.

19. NORTHERN TRUST PERFORMANCE REPORT TO 31 DECEMBER 2022

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 17 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 31st December 2022, which provided performance analysis at a total fund level and by investment manager for the periods since inception.

UNANIMOUSLY RESOLVED that the Northern Trust Performance report for the Dyfed Pension Fund as at 31st December 2022 be received.

20. INVESTMENT MANAGER REPORTS TO 31 DECEMBER 2022

Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute Item 17 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 the performance of each manager as at 31st December 2022.

- BlackRock – Quarterly Report 31 December 2022;
- Schroders – Q4 2022 Investment Report;
- Partners Group – Quarterly Financials Q4 2022;
- WPP Global Growth Fund – 31 December 2022;
- WPP Global Credit Fund – 31 December 2022.

UNANIMOUSLY RESOLVED that the investment manager reports for the Dyfed Pension Fund be received.

_________________ ____________________

CHAIR **DATE**

DYFED PENSION FUND PENSION BOARD
18/04/2023

PENSION BOARD WORK PLAN 2023

Recommendations / key decisions required:
The Board to note the Pension Board Work Plan for 2023.

Reasons:
To provide the Board with the Work Plan for 2023.

Cabinet Decision Required N/A

Council Decision Required N/A

CABINET MEMBER PORTFOLIO HOLDER:- N/A

Directorate: Corporate Services **Name of Director:** 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

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
18/04/2023

Pension Board Work Plan 2023	
The attached report outlines the work of the Pension Board throughout 2023 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**

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 request for pre-determination	N/A

2.Local Member(s) N/A
3.Community / Town Council N/A
4.Relevant Partners N/A
5.Staff Side Representatives and other Organisations N/A

CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED	N/A

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

Dyfed Pension Fund Pension Board 2023 Work Plan

	18 April 2023	19 July 2023	25 October 2023	TBC
Pension Fund Committee meetings	28 March 2023	26 June 2023	22 September 2023	15 November 2023
Investments	> Independent Investment Advisor report > Performance Report - 31/12/22	> Independent Investment Advisor report > Performance Report - 31/03/23	> Independent Investment Advisor report > Performance Report - 30/06/23	> Independent Investment Advisor report > Performance Report - 30/09/23
Administration	> Administration update	> Administration update	> Administration update	> Administration update
Governance	> Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Wales Pension Partnership Business Plan > Breaches Log > Declaration of Interest > DPF Business Plan 2023/24	> 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 > 2024 Work Plan	> Scheme Advisory Board/LGA updates > Committee minutes > Wales Pension Partnership update > Breaches Log > Declaration of Interest
Audit & Risk Management	> Risk Register > Internal Audit reports > Outline Audit Plan 2023	> Risk Register > Internal Audit reports	> Risk Register > Internal Audit reports	> Risk Register > Internal Audit reports
Accounts & Budget	> DPF Budget Monitoring > Pension Board Budget Monitoring > DPF Budget 2023/24	> DPF Budget Monitoring > Pension Board Budget Monitoring	> DPF Budget Monitoring > Pension Board Budget Monitoring	> DPF Budget Monitoring > Pension Board Budget Monitoring > Pension Board Budget 2024/25 > DPF Annual Report 2022/23 > Audit of Accounts Report (ISA 260)
Training	> Training programme > Training Needs Analysis 2023/24	> Training programme	> 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

18/04/2023

PENSION BOARD BUDGET MONITORING 1 APRIL 2022 – 31 MARCH 2023

Recommendations / key decisions required:

The Board to receive the Pension Board Budget Monitoring report for the period 1 April 2022 – 31 March 2023

Reasons:

To provide the Board with the budgetary position as at 31 March 2023.

Cabinet Decision Required N/A

Council Decision Required N/A

CABINET MEMBER PORTFOLIO HOLDER:- N/A

Directorate: Corporate Services **Name of Director:** 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 PENSION BOARD
18/04/2023

Pension Board Budget Monitoring 1 April 2022 – 31 March 2023	
The position as at 31 March 2023 was a total actual expenditure incurred of £20.7k. Expenditure for the year is a £3.5k underspend compared to budget.	
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**	**YES**	**NONE**	**NONE**	**NONE**	**NONE**

Finance

The report provides the Pension Board budget position as at 31 March 2023. Expenditure for the year is £3.5k under budget.

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 request for pre-determination	N/A

2.Local Member(s) N/A

3.Community / Town Council N/A

4.Relevant Partners N/A

5.Staff Side Representatives and other Organisations N/A

CABINET MEMBER PORTFOLIO HOLDER(S) AWARE/CONSULTED	N/A

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

Dyfed Pension Board

Budget Monitoring Report

1 April 2022 - 31 March 2023

	Budget 2022-2023 £	Actual expenditure £	Forecast Commitments £	Actual 2022-2023 £	End of year variance £	%	Assumptions/Comments
Chair Annual Fee	12,000	12,000	0	12,000	0	0.0	
Training costs	4,000	2,105	0	2,105	-1,895	-47.4	
Travel, Subsistence & Miscellaneous Expenses	2,000	444	0	444	-1,556	-77.8	
Liability Insurance	6,160	6,142	0	6,142	-18	-0.3	
Expenditure	24,160	20,692	0	20,692	-3,468	-14%	

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Agenda Item 8

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

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