

Public Document Pack



Neuadd y Sir / County Hall, Llandrindod, Powys, LD1 5LG

Os yn galw gofynnwch am - If calling please ask for
Lisa Richards

Ffôn / Tel: 01597 826371

Ffôn Symudol / Mobile:

Llythyru Electronig / E-mail: lisa.richards@powys.gov.uk

GOVERNANCE AND AUDIT COMMITTEE

Thursday, 18th November, 2021

The use of Welsh by participants is welcomed. If you wish to use Welsh please inform us by noon, two working days before the meeting

SUPPLEMENTARY PACK

1.	POWYS PENSION FUND
----	---------------------------

To consider the Powys Pension Fund Statement of Accounts for 2020-21.

(Pages 1 - 66)

This page is intentionally left blank

CYNGOR SIR POWYS COUNTY COUNCIL

AUDIT COMMITTEE

18th November 2021

REPORT AUTHOR: Jane Thomas, Head of Financial Services

SUBJECT: Pension Fund Accounts 2020/21

REPORT FOR: Decision

- 1.1 The approval of the Powys Pension Fund accounts is delegated to the Governance & Audit Committee.
- 1.2 The draft Pension Fund accounts for 2020/21 were signed off by the Head of Finance (Section 151 Officer) on 29 September 2021 and circulated to Committee members on 4 October 2021.
- 1.3 The Auditor General intends to issue an unqualified report in respect of the 2020/21 Pension Fund Accounts, following receipt of the certified Letter of Representation and the approved Pension Fund Accounts.
- 1.4 The Governance & Audit Committee is asked to consider the enclosed Letter of Representation and Powys Pension Fund Accounts and authorise the Chair of the Governance and Audit Committee and the Head of Finance (Section 151 Officer) to sign the documents.
- 1.5 The ISA260 report provided by the Auditor General notes that there are no identified misstatements in the accounts which remain uncorrected. The corrected misstatements are listed in Appendix 3 of the report.
- 1.6 The approved accounts will form part of the Pension Fund Annual Report which will be considered by the Pension and Investment Committee on 25 November, with the intention to publish the Annual Report prior to the Local Government Pension Scheme Regulations 2013 deadline of 1 December.

Recommendation:	Reason for Recommendation:
That Governance & Audit Committee considers and approves the 2020-21 Pension Fund Accounts and Letter of Representation. Which can be formally signed by Chair of the	To ensure compliance with the Statutory Requirements.

Committee and the Section 151 Officer.	
---	--

Contact Officer Name:	Tel:	Email:
Jane Thomas	01597 826341	jane.thomas@powys.gov.uk

Audit of Accounts Report Powys Pension Fund

Audit year: 2020-21

Date issued: November 2021

Document reference: 2692A2021-22

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

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

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

Contents

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

Audit of Accounts Report

Introduction	4
Impact of COVID-19 on this year's audit	4
Proposed audit opinion	5
Significant issues arising from the audit	6
Recommendations	6

Appendices

Appendix 1 – Final Letter of Representation	7
Appendix 2 – Proposed Audit Report	10
Appendix 3 – Summary of Corrections Made	14

Audit of Accounts Report

Introduction

- 1 We summarise the main findings from our audit of your 2020-21 annual report and accounts in this report.
- 2 We have already discussed these issues with officers.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £7,715,000 for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and therefore have set a lower materiality level for related party transactions disclosures of £5,000.
- 6 We have now substantially completed this year's audit although we are yet to complete our internal file review. We will provide a verbal update to the Committee should there be any matters arising from our file review.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic continues to have a significant impact on all aspects of our society. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

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

Timetable	<ul style="list-style-type: none">• The Section 151 Officer certified the draft accounts on 29 September.• As a result of prioritising our resources to work on the Council’s statutory accounts audit, we did not commence our audit of the draft accounts until 11 October.• We expect your audit report to be signed on 29 November following receipt of the signed approved accounts and Annual Report and ahead of the 1 December statutory deadline for publishing the Annual Report.
Electronic signatures	As a result of the pandemic the use of electronic signatures are permissible for both the Council and Audit Wales.
Audit evidence	<p>The entirety of our financial audit was undertaken remotely. Despite the challenging circumstances Council staff fully engaged in the audit process and effectively supported the audit by providing good quality draft accounts with supporting working papers and responded to audit queries on a timely basis.</p> <p>Specifically, Council officers:</p> <ul style="list-style-type: none">• provided working papers in accordance with our agreed Audit Deliverables Report;• provided audit evidence to the audit team in electronic form via e-mail or a shared folder accessible to both Council and Audit Wales staff; and• were available by video conferencing for discussions, and for the sharing of on-screen information/evidence.

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

Proposed audit opinion

- 11 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 12 We issue a ‘qualified’ audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.

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

Significant issues arising from the audit

Uncorrected misstatements

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

Corrected misstatements

16 As a result of our audit there have been a small number of adjustments to the accounts and annual report and they are summarised, for information, in **Appendix 3**.

Other significant issues arising from the audit

17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There are no such issues arising from our audit.

Recommendations

18 There are no recommendations arising from our audit.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

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

18 November 2021

Representations regarding the 2020-21 financial statements

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

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and

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

Financial statement representations

- All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.
- The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- Related party relationships and transactions have been appropriately accounted for and disclosed.
- All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.
- All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.
- The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Governance and Audit Committee

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Governance and Audit Committee on 18 November 2021.

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

Signed by:

Signed by:

Head of Finance and Section 151 Officer
18 November 2021

Chair of Governance and Audit
Committee
18 November 2021

Appendix 2

Proposed Audit Report

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

Opinion on financial statements

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

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting

for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

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

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

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

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Powys Pension Funds policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud; and
- Obtaining an understanding of Powys Pension Fund's framework of authority as well as other legal and regulatory frameworks that Powys Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Powys Pension Fund.

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

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

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Powys Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

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

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
29 November 2021

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of Corrections Made

Some adjustments have been made to the Financial Statements as a result of our audit. These have been corrected by management. A summary of the most significant corrections made are summarised below.

Exhibit 2: summary of corrections made

Value of correction	Nature of correction
£6.5m	Net Assets Statement - Private Equity Investments Private equity investments were increased as the certified draft financial statements included estimated figures based on the December valuations for some of the private equity investment held. These were replaced with the actual March figures which had been available when the draft account was certified in September
N/A	Note 12b – Analysis of Investments by Fund Manager The investments relating to BlackRock Global Investors Ltd have been reclassified from 'Investments managed by the WPP asset pool' to 'Investments managed outside WPP asset pool'.
N/A	Other narrative and disclosure amendments Several other narrative and presentational amendments have been made to the financial Statements, including: <ul style="list-style-type: none">• Note 12 (Investments) has been amended to comply with the Code and provide more information on the negative derivatives balance;• The narrative within Note 19 (Stock Lending) has been amended to better disclose the stock lending position of the Pension Fund; and• Some additional disclosures have been included within the Annual Report to comply with CIPFA's annual reporting guidance.



Audit Wales

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

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



Jane Thomas
Head of Financial Services/
Pennaeth Gwasanaethau Ariannol

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

County Hall / Neuadd y Sir,
Llandrindod Wells,
Powys.
LD1 5LG
If calling please ask for / Os yn galw gofynnwch am
Jane Thomas

Tel / Ffôn (01597) 826 789
Email /Ebost: jane.thomas@powys.gov.uk
Your ref / Eich cyf:
Our ref / Ein cyf:
Date / Dyddiad: 18th November 2021

Representations regarding the 2020-21 financial statements

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

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

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

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Powys Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.

Yn agored a blaengar - Open and enterprising

www.powys.gov.uk

- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

- All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.
- The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- Related party relationships and transactions have been appropriately accounted for and disclosed.
- All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.
- All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.
- The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Governance & Audit Committee

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 18 November 2021.

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

Signed by:

Signed by:

Head of Finance and Section 151 Officer

Chair of Governance & Audit Committee

18 November 2021

18 November 2021



Pension Fund Accounts 2020/21



Pension Fund Accounts 2020/21

Contents

Statement of Responsibilities for the Pension Fund Accounts.....	1
Fund Administration Report.....	2
Scheme Statistics and Performance	3
Investment Policy and Performance Report.....	5
Net Assets Statement.....	7
Pension Fund Account.....	7
Notes to the Pension Accounts	8
The independent auditor’s report of the Auditor General for Wales to the members of Powys County Council as administering authority for Powys Pension Fund	30
Statement of the Actuary for the Year Ended 31 March 2021	34
Appendix 1: Pensions and Investment Committee.....	38
Appendix 2: Fund Employers	39

Pension Fund Accounts 2020/21

Fund Administration Report

Scheme Details

Powys County Council is the Administering Authority for the Powys Pension Fund. The Pension Fund provides pension entitlements under the Local Government Pension Scheme (“LGPS”) to all eligible employees of Powys County Council and other participating bodies. Membership of the LGPS is not mandatory and excludes teachers, police officers and fire fighters, for whom specific separate pension schemes are available. The LGPS is a statutory public service defined benefit pension scheme based on final salary for benefits accrued up to 31 March 2014 and career average revalued earnings (“CARE”) for benefits accrued from 1 April 2014. Contributions payable by employees and the benefits due to them are prescribed by the Local Government Pension Scheme Regulations.

Additional Voluntary Contribution (AVC) Scheme

Since 6 April 1988, it has been a legal requirement for all pension schemes to provide members with access to an in-house AVC Scheme. The Powys Pension Fund’s appointed providers are the Standard Life Assurance Company, Prudential plc and the Equitable Life Assurance Society, who transferred their business over to Utmost Life and Pensions during the year. Members are able to pay contributions into a variety of AVC arrangements offered by the providers, to secure additional pension benefits. The AVC investments are excluded from the Pension Fund Accounts but are disclosed for information in note 15.

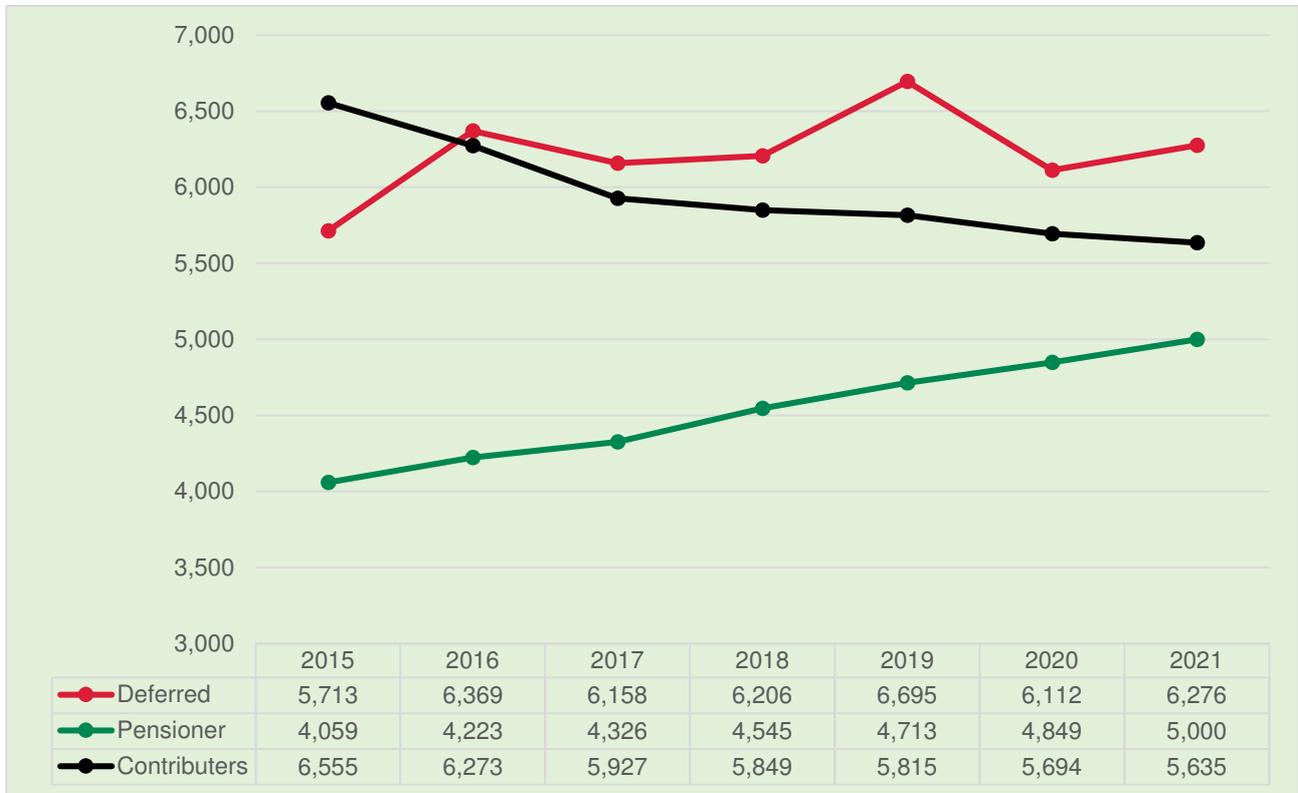
Annual Governance Statement

The Annual Governance Statement for Powys County Council can be viewed [here](#)

Scheme Statistics and Performance

Membership Trends

The graph below shows the membership of the Fund as at 31 March. Deferred members are former employees of the contributing authorities who have yet to draw their pensions.



The total for deferred members does not include unprocessed leavers or frozen refunds.

Funding and Valuation



The aim of the funding is to accumulate current contributions at a level sufficient to provide known benefits at some time in the future. In short therefore, the scheme benefits are

Pension Fund Accounts 2020/21

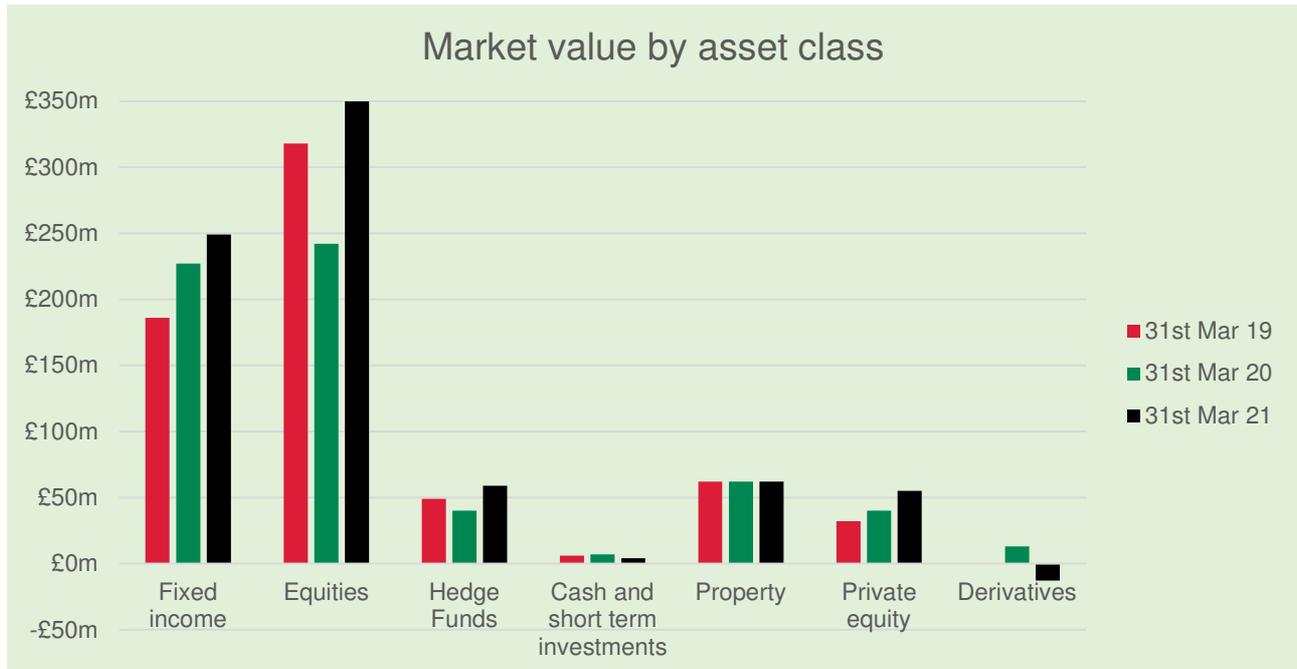
financed by contributions from employees and employers together with income from investments. Both the employees' contributions and the benefits to be provided by the scheme are fixed by the Government as set out in the Local Government Pension Scheme Regulations, leaving the employers' rate of contribution as the only element which can be deliberately adjusted.

The employers' rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are required by law with a major review being undertaken every third year. The statement of the actuary can be seen on page 34.

The actuarial valuation as at 31 March 2019 showed the assets held at the valuation date were sufficient to cover 93% of the accrued liabilities assessed on an ongoing basis. This is a marked improvement on the 80% achieved as at 31 March 2016, however, it is the long-term goal to achieve 100% funding and efforts continue to be made to address this. The level of funding has no impact on members' benefits which are guaranteed by law.

Investment Policy and Performance Report

The prime requirement in managing the Fund is to ensure adequate diversification of its assets over different asset classes and different geographical areas. The right balance must be struck between the desire for enhanced returns and potential 'risk' of volatility in those returns i.e. the investment policy of the Fund is aimed at maximising returns within the acceptable limits of risk. There is no ideal split for any fund, so the portfolio balance needs to be regularly monitored and adjusted in line with the economic, financial and market indicators.



The investment style of the Fund is to appoint external expert fund managers with clear performance benchmarks and place accountability for performance against those benchmarks on the fund managers. The benchmarks are outlined in the Investment Strategy Statement, included in the Annual Report. The Chief Financial Officer must ensure that the management of the Fund falls within the requirements of the Local Government Pension Scheme Regulations.

During 2020/21 the transition of actively managed bond funds to the Wales Pension Partnership Pool was completed.

Of the £27.5m capital commitment (Note 18) outstanding as at 31 March 2020, £4.9m was drawn down in 2020/21.

Pension Fund Accounts 2020/21

Performance Review

	1 Year %	3 Years %	5 Years %
Powys Pension Fund Overall Return	17.9	7.9	9.4
Inflation CPI	0.6	1.5	1.7
Average Earnings Index	2.2	2.8	2.7

Given the long-term nature of the Fund, perhaps the most significant column above is that detailing the comparisons over five years. Inflation and average earning percentages are taken from the Office for National Statistics data.

The strategic asset allocation is as follows:

2019/20		2020/21
47%	Equities	39%
30%	Bonds	36%
10%	Property	10%
5%	Private equity	5%
8%	Hedge fund of funds	10%
100%	Total	100%

The current strategic asset allocation is 64% return seeking and 36% risk reducing (matching assets). This strategy was determined with the aid of the fund's Investment Advisors.

The strategic asset allocation is the ideal target and cannot be achieved until the scheme is fully funded in all areas. It does not reflect the actual investments held at the year-end. The current structure aims to have a 70:30 split between return seeking and liability matching assets.

The market value of assets spread between the fund managers as at 31 March 2021 is shown in note 12a.

Pension Fund Accounts 2020/21

Net Assets Statement

As at 31 March

2019 £'000		Note	2020 £'000
631,105	Investments	12	765,686
14,243	Current Assets	13	5,851
(803)	Current Liabilities	13	(715)
644,545	Net Asset as at 31 Mar		770,822

The funds financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is shown in note 21.

The accounts show cash held with the Investment Managers as investments as recommended in the Statement of Recommended Practice, Financial Reports for Pension Schemes.

Pension Fund Account

2019/20 £'000		Note	2020/21 £'000
	Contributions and benefits		
(27,367)	Contributions receivable	4	(27,211)
(1,459)	Transfers in	5	(3,614)
(34)	Other income	6	(29)
(28,860)	Total income		(30,854)
28,579	Benefits payable	7	28,685
2,746	Payments on account of leavers	8	1,217
3,977	Management expenses	9	4,819
35,302	Total expenditure		34,721
6,442	Net withdrawals from dealing with members		3,867
	Returns on investments		
(5,690)	Investment income	10	(8,037)
1	Taxes on Income	11	3
9,275	Changes in the market value of investments	12	(122,110)
3,586	Net (profit)/loss on investments		(130,144)
10,028	Net (increase)/decrease in the fund		(126,277)
654,573	Opening net assets		644,545
644,545	Closing net assets		770,822

Pension Fund Accounts 2020/21

Notes to the Pension Accounts

Note 1: Basis of Preparation.....	9
Note 2: Accounting Policies.....	9
Note 3: Critical Judgements in Applying Accounting Policies	11
Note 4: Contributions Receivable.....	12
Note 5: Transfers In.....	12
Note 6: Other Income	12
Note 7: Benefit Payable	13
Note 8: Payments to and on Account of Leavers	13
Note 9: Management Expenses	13
Note 9a: Investment Management Expenses.....	14
Note 10: Investment Income.....	14
Note 11: Taxes on Income.....	14
Note 12: Investments.....	15
Note 13: Current Assets and Liabilities	20
Note 14: Related Party Transactions.....	20
Note 15: Additional Voluntary Contributions (AVC).....	21
Note 16: Contingent Liabilities	21
Note 17: Post Balance Sheet Events	21
Note 18: Capital Commitments.....	21
Note 19: Stock Lending	21
Note 20: Financial Instruments.....	22
Note 21: Actuarial Present Value of Promised Retirement Benefits	24
Note 22: Nature and Extent of Risks Arising from Financial Instruments	25
Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted	29

Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2020/21 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

Note 2: Accounting Policies

Contributions and Benefits

Contributions are accounted for on an accruals basis. Benefits payable represents the benefits entitlement up to the end of the reporting period.

Transfers to other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations.

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

Transfers in from members wishing to use the proceeds of their additional voluntary contribution to purchase scheme benefits are accounted for on a receipts basis and are included in Additional Contributions.

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

Refunds to Leavers

These are accounted for when due.

Investment Management Expenses

Each fund manager receives a fee for their services based on the market value of the assets they manage.

Investment Income

Interest income

Interest income is recognised in the fund account as it accrues.

Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Change in Market Value

Changes in market value of investments comprise reinvested investment income and all realised and unrealised profits/losses during the year.

Pension Fund Accounts 2020/21

Foreign Currency Transactions

Assets and liabilities held in a foreign currency are translated at the rate of sterling quoted at year-end. Income and expenditure arising during the year is translated into sterling at the rate quoted on the date of receipt or payment. Resulting exchange gains or losses are recognised through the revenue account.

Valuation of Assets

No property is directly held by the fund. The market value used for quoted investments is the bid market price ruling on the final day of the accounting period. Fund Managers value unquoted securities at the year-end in line with generally accepted guidelines to ascertain the fair value of the investment. Change in Market value also includes income which is reinvested in the fund, net of applicable tax. Fixed interest securities are recorded at net market value based on their current yields. Fair value for limited partnerships is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. It is not the intention of the fund to dispose of unquoted investments before maturity.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash and that are subject to minimal risk of changes in value.

Taxation

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

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

Financial Liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net assets statement (note 21).

Administrative expenses

All staff costs of the pension administration team and other overheads are apportioned to the fund in accordance with Council policy.

Contingent Liabilities

Contingent liabilities are possible liabilities whose existence will only be confirmed by future events and are not recognised until the realisation of the loss is virtually certain.

Additional Voluntary Contributions (AVC's)

Members of the Pension Fund may make additional voluntary contributions (AVCs) in order to obtain improved benefits on retirement. The AVC investments are excluded from the Financial Statements of the Powys Pension Fund, in accordance with section 4(2)b of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 15).

Note 3: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2021 was £55m (31 March 2020: £40.7m).

Pension Fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the statement of the actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.

Pension Fund Accounts 2020/21

Note 4: Contributions Receivable

2019/20 £'000	By Category	2020/21 £'000
22,257	Employers	21,917
5,110	Employees	5,294
27,367		27,211

2019/20 £'000	By Authority	2020/21 £'000
25,214	Powys County Council (administering body)	25,136
921	Scheduled bodies	861
1,232	Admitted bodies	1,214
27,367		27,211

2019/20 £'000	By Type	2020/21 £'000
15,329	Employers normal contributions	18,465
5,110	Employees normal contributions	5,294
679	Employers additional contributions	272
6,249	Employers deficit reduction contributions	3,180
27,367		27,211

Note 5: Transfers In

2019/20 £'000		2020/21 £'000
1,459	Individual transfers from other schemes	3,614

Note 6: Other Income

2019/20 £'000		2020/21 £'000
34	Administration	29
34		29

Pension Fund Accounts 2020/21

Note 7: Benefit Payable

2019/20 £'000		2020/21 £'000
23,040	Pensions	23,827
4,826	Commutations and lump sum retirement benefits	4,064
713	Lump sum death benefits	794
28,579		28,685

Benefits can be further analysed as follows:

2019/20 £'000		2020/21 £'000
24,630	Powys County Council (administering authority)	24,383
2,681	Scheduled bodies	2,647
1,268	Admitted bodies	1,655
28,579		28,685

Note 8: Payments to and on Account of Leavers

2019/20 £'000		2020/21 £'000
48	Refunds to members leaving service	43
2,698	Individual transfers to other schemes	1,174
2,746		1,217

Note 9: Management Expenses

2019/20 £'000		2020/21 £'000
1,073	Administration expenses	1,118
2,778	Investment management expenses (see Note 9a)	3,575
126	Oversight and governance costs	126
3,977		4,819

Pension Fund Accounts 2020/21

Note 9a: Investment Management Expenses

Reclassified

2019/20 £'000		2020/21 £'000
205	Bonds	222
134	Equities	17
516	Wales Pool investments	1,049
399	Pooled Property investments	380
620	Private Equity	758
506	Hedge Funds	892
88	Derivatives	88
299	Investment Advice	166
11	Custody fees	3
2,778		3,575

This note has been reclassified to reflect investment management expenses layout shown in the CIPFA example accounts template.

Note 10: Investment Income

2019/20 £'000		2020/21 £'000
(31)	Interest on cash deposits	-
(706)	Income from bonds	(670)
(1,624)	Pooled property investments	(1,685)
(3,327)	Private equity income	(5,682)
(2)	Other investment income	-
(5,690)		(8,037)

Note 11: Taxes on Income

2019/20 £'000		2020/21 £'000
1	Foreign tax on investment	3
1		3

Pension Fund Accounts 2020/21

Note 12: Investments

Reclassified

	Value as at 1 Apr 20	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	227,089	175,152	(167,983)	(531)	-	15,839	249,566
Equities (pooled funds)	241,837	-	(12,000)	(645)	-	115,551	344,743
Property (pooled funds)	61,112	540	(1,185)	(353)	1,145	968	62,227
Private Equity	40,724	4,873	(7,572)	(757)	5,682	12,001	54,951
Hedge Fund of Funds	39,917	17,000	-	(895)	-	2,752	58,774
Derivatives (Options)	13,349	-	-	-	-	(26,840)	(13,491)
Cash & Short Term Investments	7,077	26,626	(26,626)	-	-	1,839	8,916
	631,105	224,191	(215,366)	(3,181)	6,827	122,110	765,686

Index linked securities totalling £88,359k in 2019/20 have been reclassified to Bonds to match the requirements laid out in the CIPFA example accounts template.

	Value as at 1 Apr 19	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	185,426	46,810	(7,815)	(179)	706	2,141	227,089
Equities (pooled funds)	318,149	79,512	(130,670)	(648)	-	(24,506)	241,837
Property (pooled funds)	62,104	1,079	(841)	(393)	588	(1,425)	61,112
Private Equity	31,779	4,954	(5,517)	(619)	3,287	6,840	40,724
Hedge Fund of Funds	49,365	7,000	(12,091)	(510)	-	(3,847)	39,917
Derivatives (Options)	-	-	-	-	5,409	7,940	13,349
Cash & Short Term Investments	5,947	31,048	(33,500)	-	-	3,582	7,077
	652,770	170,403	(190,434)	(2,349)	9,990	(9,275)	631,105

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Some transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees.

Pension Fund Accounts 2020/21

These transaction costs incurred in the year are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. All equity investments held by the fund are in unitised funds.

The notional value of the Derivative options as at 31st March 2021 is £220.75m

Derivatives Summary

Investment Objective

The investment objective is to hedge against the Fund's underlying exposures as may be communicated to the Investment Manager.

Investment Policy

The Investment Manager will seek to achieve the Fund's investment objective by investing in including but not limited to put and call options. Whilst the Base Currency is Sterling, the manager may invest in non-Sterling denominated assets which may not necessarily be hedged back into Sterling.

The investments may or may not be listed on recognised exchanges and markets and will be without restriction as to geographical, industrial or sectoral exposure.

The manager may take both long and short positions.

The table below shows the breakdown of derivatives value at 31 March 2021. The derivatives relate to the Funds Equity Protection Strategy, which seeks to protect the Fund against falls in the equity market. As part of the strategy downside losses are protected using a mechanism that caps gains above agreed levels. A negative value reflects the value of the positive performance of equities above this cap.

Options due 31/03/2021	(8.326)M
Cash	0.670M
Future options	(5.834)M
Total	(13.490)M

Pension Fund Accounts 2020/21

Note 12a: Analysis of Investments

Reclassified

2019/20 £'000		2020/21 £'000
	Wales Pension Partnership	
-	Bonds	180,053
100,934	Equities	149,441
3,431	Cash & Cash Equivalents	5,371
104,365		334,865
	Other Investments	
227,088	Bonds	69,513
140,902	Equities	195,302
61,111	Pooled property	62,226
40,725	Private equity	54,951
39,917	Hedge Funds	58,774
13,350	Derivatives	(13,490)
3,647	Cash & Cash Equivalents	3,545
526,740		430,821
631,105	Total Investment Assets	765,686

This note has been reclassified to reflect investments specifically with the Wales Pension Partnership.

Pension Fund Accounts 2020/21

Note 12b: Investments Analysed by Fund Manager

31-Mar 20			31-Mar 21	
Market Value £'000	%		Market Value £'000	%
		Investments managed by WPP asset pool		
104,365	16.5	Link	154,812	20.2
-	0.0	Russel Investments	180,053	23.5
104,365			334,865	
		Investments managed outside WPP asset pool		
9,086	1.4	Aviva Investors Pensions Ltd	9,391	1.2
233,290	37.0	Blackrock Global Investors Ltd	237,606	31.0
65	0.0	CBRE Ltd	41	0.0
16,019	2.5	CFM	16,460	2.1
-	0.0	Graham Capital Management	19,680	2.6
40,398	6.4	HarbourVest Partners LLC	54,808	7.2
13,601	2.2	Hermes Fund Managers Ltd	13,229	1.7
151,697	24.0	Insight Investment Ltd	17,263	2.3
6,342	1.0	IPM	5,986	0.8
17,556	2.8	MAN	16,649	2.2
38,360	6.1	Schroders Investment Management Ltd	39,565	5.2
326	0.1	Standard Life Investments Ltd	143	0.0
526,740			430,821	
631,105			765,686	

Pension Fund Accounts 2020/21

The following investments represent more than 5% of the net assets of the scheme:

31-Mar	20		31-Mar	21
Market Value £'000	%	Security	Market Value £'000	%
58,295	9.0	Blackrock Aquila Life Ovr 5Yr Uk Idx Lkd	-	0.0
36,249	5.7	Blackrock Aquila Life Currency Hedged MSCI Wrld Idx S1	47,138	6.2
63,133	9.8	Blackrock Aquila Life Currency Hedged US Equity Idx S1	89,721	11.8
80,530	12.5	Insight Bonds Plus fund	-	0.0
104,365	16.2	Link WPP Global Growth	154,812	20.4
-	0.0	Link WPP Multi Asset Credit	65,627	8.6
-	0.0	Link WPP Absolute Return Bonds	84,978	11.2
38,360	6.0	Schroder UK Real Estate Fund	39,565	5.2

The table below shows the strategic asset allocation against the actual allocation as at 31 March 2021. The Fund's asset allocation strategy is set out in the Investment strategy Statement.

Asset Class	Strategic allocation %	Actual allocation %
Bonds	36	32.6
Equities	39	45.0
Property	10	8.1
Private Equity	5	7.2
HedgeFunds	10	7.7
Other	-	-0.6
	100	100

Pension Fund Accounts 2020/21

Note 13: Current Assets and Liabilities

2019/20 £'000	Current Assets	2020/21 £'000
114	Contributions due from employers and members	119
13,510	Cash balances	5,599
619	Sundry debtors	133
14,243		5,851
	Current Liabilities	
(632)	Benefits payable	(315)
(171)	Sundry creditors	(400)
(803)		(715)

Amounts unpaid at the year end are subsequently paid within a reasonable time frame, i.e. the majority of the balances are paid within a 3 month period.

Note 14: Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. Their combined contributions into the scheme totalled £21.8k in 2020/21 (£20.8k in 2019/20). Key management personnel remuneration can be found in the Powys County Council Statement of Accounts.

The Fund is administered by Powys County Council. Consequently, there is a relationship between the Authority and the Fund.

The Authority incurred costs of £997k in 2020/21 (2019/20: £942k) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £20,067k to the Fund in 2020/21 (2019/20: £19,941k) in employers contributions and deficit recovery payments.

Governance

The makeup of the Pensions and Investment Committee can be seen in Appendix 1.

The role of Section 151 Officer for the Authority, plays a key role in the financial management of the Fund and is also an active member of the Fund.

Councillors are required to declare their interest at each meeting.

The Committee members and Section 151 Officer accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

For the full Governance Statement please refer to the links in Appendix 4 of the Annual Report.

Pension Fund Accounts 2020/21

Note 15: Additional Voluntary Contributions (AVC)

Members of the Pension Fund may make additional voluntary contributions (AVCs) in order to obtain improved benefits on retirement. The AVC investments are excluded from the Financial Statements of the Powys Pension Fund, in accordance with section 4(2)b of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 (SI 2009/3093). However, as administering authority we oversee the following AVC arrangements:

2020/21 Contributions received	Standard Life £'000	Prudential £'000	Utmost £'000	Total £'000
Powys County Council	53	215	-	268
BBNP	-	18	-	18

Fund Value	Standard Life £'000	Prudential £'000	Utmost £'000	Total £'000
As at 31 Mar 21	966	1,324	88	2,378

Note 16: Contingent Liabilities

No contingent liabilities were known to exist at the Balance Sheet date.

Note 17. Post Balance Sheet Events

There are no known post balance sheet events.

Note 18: Capital Commitments

2019/20 £'000	Private Equity and Property mandate	2020/21 £'000
962	Standard Life (Private Equity)	897
26,582	Harbourvest (Private Equity)	19,218
27,544		20,115

The Pension Fund has committed to guaranteed investments in private equity that the asset managers can draw down upon as and when required. The Capital Commitments figure above, represents the level of investment guaranteed but not yet drawn down at the year end.

Note 19: Stock Lending

The Fund only currently invests in pooled vehicles so cannot undertake any stock lending directly. The stock lending policy on pooled funds is determined by the individual investment managers. Any income not retained by the fund manager and / or the lending agent is incorporated in the net asset value of each pooled fund.

Pension Fund Accounts 2020/21

Note 20: Financial Instruments

Note 20A: Classification of financial instruments & liabilities

Reclassified

31 Mar	2020		31 Mar	2021
Amortised cost	Fair value through profit and loss		Amortised cost	Fair value through profit and loss
£'000	£'000	Financial Assets	£'000	£'000
		Wales Pension Partnership:		
	-	Bonds		180,053
	100,934	Equities		149,441
	3,431	Cash & short term investments		5,371
		Other Investments:		
	227,088	Bonds		69,513
	140,902	Equities		195,302
	61,111	Property (pooled funds)		62,226
	40,725	Private equity		54,951
	39,917	Hedge fund of funds		58,774
	13,350	Derivatives (options)		(13,490)
	3,647	Cash & short term investments		3,545
14,243		Current assets	5,851	
14,243	631,105	Total financial assets	5,851	765,686
		Financial Liabilities		
(803)		Current liabilities	(715)	
(803)			(715)	

This note has been reclassified to reflect investments specifically with the Wales Pension Partnership.

Note 20B: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

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

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or

Pension Fund Accounts 2020/21

where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The private equity values are based on valuations provided by the general partners to the private equity funds in which the Powys Pension Fund has invested.

The hedge fund values are based on the net asset value provided by the fund manager.

The tables below show the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Value as at 31 Mar 21	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	268,360	397,091	100,235	765,686
Current assets	5,851	-	-	5,851
Current liabilities	(715)	-	-	(715)
Net financial assets	273,496	397,091	100,235	770,822

Value as at 31 Mar 20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	371,637	165,476	93,992	631,105
Current assets	14,243	-	-	14,243
Current liabilities	(803)	-	-	(803)
Net financial assets	385,077	165,476	93,992	644,545

Reconciliation of Level 3 movements

Level 3 asset	Value as at 31 Mar 20 £'000	Purchases, sales & transfers £'000	Change in market value £'000	Value as at 31 Mar 21 £'000
Hedge funds	39,917	17,000	1,857	58,774
Private equity	40,724	(2,699)	16,926	54,951
Derivatives	13,349	-	(26,840)	(13,491)
Total	93,990	14,301	(8,057)	100,234

Pension Fund Accounts 2020/21

Note 21: Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2019 of the actuarial valuation of promised retirement benefits as set out in IAS 26. The actuarial present value should be calculated on an IAS 19 basis. IAS 26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the IFRS.

The actuarial present value of the promised retirement benefits were as follows

31 March 2016	31 March 2019
£'000	£'000
724,600	962,200

Assumptions used

	31 March 2016 %	31 March 2019 %
Discount rate	3.4	2.4
Inflation (CPI)	1.8	2.2
Salary increase rate	3.3	3.7

McCloud / Sargeant Judgement

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud / Sargeant Judgement of £6.99M

The McCloud / Sargeant Judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination. The Government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales, all members joined the new 2014 Scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or "better of both") promise so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as it they had remained in the 2008 Scheme.

The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the Scheme on 1 April 2012 and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier. This remedy proposed as part of the of a consultation issued in July 2020 will extend the final salary underpin for service up to 31 March 2022.

Equalisation and indexation of Guaranteed Minimum Pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose State Pension Age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be

applied. The additional liability included within this note assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

Note 22: Nature and Extent of Risks Arising from Financial Instruments Risk and Risk Management

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

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other Price Risk

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

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification.

Pension Fund Accounts 2020/21

Other Price Risk – Sensitivity Analysis

The following movements in market price risk are considered reasonably possible for 2020/21. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

Asset Type	Value as at 31 Mar 21 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Equities	344,743	14.33	394,145	295,341
Bonds	249,566	6.14	264,889	234,243
Property	62,226	2.14	63,558	60,894
Private Equity	54,951	22.64	67,392	42,510
Hedge Funds	58,774	5.04	61,736	55,812
Derivatives	(13,490)			
Cash & short term investments	8,916	0.15	8,929	8,903
Total Assets	765,686		860,649	697,703

Pension Fund Accounts 2020/21

Interest Rate Risk

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

The Fund's interest rate and return are monitored by the Council and its investment advisors as part of the monthly and quarterly reporting and assessment of interest rate return against benchmark.

Interest rates are expected to remain unchanged in the next twelve months, based on the Authorities Treasury Management advisors latest advice. The Fund's exposure to interest rate movements as at 31 March 2020 and 31 March 2021 is set out below.

As at 31 Mar 20 £'000	Asset Type	As at 31 Mar 21 £'000
3,537	Cash Instruments	8,916
13,510	Cash balances	5,599
182,253	Bonds	195,778
199,300	Total	210,293

Currency Risk

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

The fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management, including monitoring the range of exposure to currency fluctuations.

Pension Fund Accounts 2020/21

The fund's currency exposure as at 31 March 2020 and 31 March 2021 is set out below.

As at 31 Mar 20 £'000		As at 31 Mar 21 £'000
40,725	Private equity	54,951
40,725	Total	54,951

A 10% volatility associated with exchange rates is considered likely, based on analysis of historical movements.

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

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31 Mar 21 £'000	Value on Increase £'000	Value on Decrease £'000
Private equity	54,951	60,446	49,456
Total	54,951	60,446	49,456

Credit Risk

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

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

Pension Fund Accounts 2020/21

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table below shows the funds cash holding as at 31 March 2020 and 31 March 2021.

	Rating	As at 31 Mar 20 £'000	As at 31 Mar 21 £'000
Bank Current Account			
HSBC	AA-	223	5,111
Bank Deposit Account			
HSBC	AA-	13,287	488

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for meeting the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2021 the value of illiquid assets was £155.9m, which represented 20.5% of the total fund assets - (31 March 2020 - £141.8m, which represented 22.5% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund's investment strategy.

All financial liabilities at 31 March 2021 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted.

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2021 for 2021/22). None of the standards introduced in the 2021/22 code are expected to have a material impact on the financial statements.

Pension Fund Accounts 2020/21

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

Opinion on financial statements

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

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2021, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My

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

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

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

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue

Pension Fund Accounts 2020/21

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Powys Pension Funds policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud; and
- Obtaining an understanding of Powys Pension Fund's framework of authority as well as other legal and regulatory frameworks that Powys Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Powys Pension Fund.

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

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

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Powys Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

Pension Fund Accounts 2020/21

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

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
29 November 2021

24 Cathedral Road
Cardiff
CF11 9LJ

Pension Fund Accounts 2020/21

Statement of the Actuary for the Year Ended 31 March 2021

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Powys County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £654.6M) covering 93% of the liabilities allowing, in the case of pre 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 20.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 1.1% of pay for McCloud and cost management – see paragraph 9 below,

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 16 years from 1 April 2020, equivalent to 3.6% of pensionable pay (or £3.0M in 2020/21, and increasing by 3.6% p.a. thereafter), which together with the allowance above comprises the secondary rate.

3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers. Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	21.6	3.2
2021	21.6	3.3
2022	21.6	3.4

Pension Fund Accounts 2020/21

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate *	4.1% p.a.
Rate of pay increases	3.6% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

** In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.*

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2 mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	24.9
Current active members aged 45 at the valuation date	23.1	26.3

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in

Pension Fund Accounts 2020/21

accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

▪ **Increases to Guaranteed Minimum Pensions (GMP)s:**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response set out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

▪ **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.1% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and (if applicable) arising from the 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

▪ **Goodwin**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar

Pension Fund Accounts 2020/21

arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

- 10.** This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Powys County Council, the Administering Authority of the Fund, in respect of this Statement.

- 11.** The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.powyspensionfund.org/media/1ukdg2cx/powys-pension-fund-2019-valuation-report-v2.pdf>

Aon Solutions UK Limited

May 2021

Pension Fund Accounts 2020/21

Appendix 1: Pensions and Investment Committee

The Pensions & Investment Committee is the principal decision-making body for the Pension Fund responsible for management, investment and administration issues. The Committee is governed by its constitution which sets out the Committee's authority, its membership and its overall mode of operation.

Members of the Committee are drawn from Powys County Council as the administering authority with the addition of two further (non-voting) members representing Fund Employers and Scheme Members. The Committee receives advice and guidance from both Officers of Powys County Council and external professional advisers. From 5 May 2018 the membership of the Committee was as follows:

County Councillor P Lewis (Chair)
County Councillor E A Jones (Vice Chair)
County Councillor T Van-Rees
County Councillor J Morris
County Councillor H Williams
County Councillor A Davies
Mr A M C Weale (Fund Employers)
Vacant (Scheme Members)

Officers and Advisors:

Mrs J Thomas (s.151 Officer and Head of Finance)
Mr C Hurst (Pension Fund Manager)
Mrs R Pinder / Mr S Mayne / Mr G Feane / Mr R Antrobus – Aon (Investment Consultants)
Mrs B Durrant – Aon (Actuary)
Burgess Salmon (Legal Advisers)

Over the year the Committee met on 6 occasions. Dates of which can be seen [here](#).
Member attendance can be viewed [here](#).

During the 2020/21 year, members of the Committee have also taken part in various Pension Fund training and attended relevant online seminars, webinars and conferences, covering a wide range of topics such as investments, governance, responsible investment, Climate change and specific asset classes.

Pension Fund Accounts 2020/21

Appendix 2: Fund Employers

Powys County Council administers the scheme for employees and ex-employees of the following bodies:

Scheduled Bodies	Admitted Bodies
Brecon Beacons National Park Authority, Brecon Town Council, Knighton Town Council, Llandrindod Wells Town Council, Llanidloes Burial Joint Committee, Llanidloes Town Council, Machynlleth Town Council, Newtown and Llanllwchaiarn Town Council, Powys County Council, Powys Magistrates Courts' Committee, Welshpool Town Council, Ystradfellte Community Council, Ystradgynlais Town Council	Adapt Business Services, Agoriad, BUPA Care Homes, Camping & Caravanning Club, Careers Wales Powys, Development Board for Rural Wales, Elite Supported employment Agency, Freedom Leisure, Heart of Wales Property Services Ltd Just Perfect Catering Ltd. Kier Facilities Services Ltd. MENCAP, Menter Maldwyn, Mirus Wales, Powys Association of Voluntary Organisations, Powys Dance, Powys Valuation Panel, Presteigne Shire Hall Museum Trust, Shaw Healthcare Ltd. Solo Service Group, Theatr Brycheiniog, Wales European Centre, Ystradgynlais Miners Welfare & Community,

Town and Community Councils and various other statutory bodies have the right to be included in the Fund. Other bodies can be admitted at the discretion of the County Council.

Contact List and Communications

A copy of this report is available to anyone on demand, subject to a small administration charge. A full copy of the report can be viewed at www.powyspensionfund.org. Should you have any comments on the financial statement or any other pension matter please contact the appropriate officer in the following list:

Pension Scheme, Fund Governance & Other Matters

Pension Fund Manager	Mr C Hurst	01597 827640
Pensions Administration Manager	Mrs M Price	01597 827642

Accounts & Investment

Pension Fund Accounts	Mr D Paley	01597 826042
-----------------------	------------	--------------

This page is intentionally left blank