

## Pensions and Investment Committee

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Meeting Venue

**By Zoom**

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Meeting date

**Wednesday, 29 November 2023**

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Meeting time

**2.00 pm**

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For further information please contact

**Rachel Pugh**

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County Hall  
Llandrindod Wells  
Powys  
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23.11.2023

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Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.

Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod gwaith cyn y cyfarfod.

You are welcome to speak Welsh or English in the meeting.

Please inform us of which language you wish to use by noon, two working days before the meeting.

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### AGENDA

<b>1.</b>	<b>APOLOGIES</b>
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To receive apologies for absence.

<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>
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To receive any declarations of interest from Members relating to items to be considered on the Agenda.

<b>3.</b>	<b>MINUTES</b>
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To authorise the Chair to sign the minutes of the last meeting held on 06 October 2023 as a correct record.

(Pages 3 - 8)

<b>4.</b>	<b>PENSION FUND ANNUAL REPORT 2022/23</b>
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To consider the Pension Fund Annual Report 2022/23

(Pages 9 - 84)



## MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE HELD AT ON FRIDAY, 6 OCTOBER 2023

PRESENT County Councillors

A Kennerley  
C Kenyon-Wade  
D A Thomas  
D H Williams  
E A Jones  
P E Lewis

Gerard Moore Independent Chair, Powys Pension Board

Chris Hurst -Pension Fund Manager, Secretary to the Board

Jane Thomas - Section 151 Officer

Dan Paley - Financial Reporting & Policy Accountant

Craig Flynn - Deputy Head of Finance-Strategic Finance

Aon representatives:

Benjamin Bryant  
Kenneth Ettles  
Becky Durran

LINK Fund Solutions representative:

James Zealander

Russell Investments representatives:

Aidan Quinn  
Ioanna Ali  
Katherine Husvaeg  
William Pearce  
Adreas Koester

<b>1. APOLOGIES</b>
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Apologies were received from:

Trish Fretten (Employer Representative)

<b>2. DECLARATIONS OF INTEREST</b>
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A Kennerley, C Kenyon-Wade, D H Williams, E A Jones and P E Lewis declared interests as members of the Local Government Pensions Scheme.

These are personal interests, not prejudicial interests in accordance with Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

<b>3. MINUTES</b>
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 07 July 2023 as a correct record.

<b>4.</b>	<b>ADMINISTRATION AND GOVERNANCE REPORT</b>
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The Committee reviewed the Update. The Pension Fund Manager highlighted the following:

## 2. Scheme Advisory Board (SAB) Updates

2.2 – a full Annual Report has been produced by the SAB using data from the individual LGPS funds has been produced by the Local Government Pension Scheme (LGPS), which the fund showed a positive trend in funding levels and assets held.

A query was answered in response to management fees and explained that it was percentage based, and more information would be presented to the Committee at the next meeting.

2.3 – the Powys Fund's Annual Report would be published by 01 December 2023. Additional guidance on how to make the report easier to produce will be provided by the SAB in future .

2.5 – The Scheme Advisory Board published a scheme valuation report, derived from the individual Funds valuation reports from 31 March 2022 which showed improvements in the overall funding level of the LGPS as a whole.

## 3. Local Government Pension Scheme (LGPS) Updates

3.1 – a response had been submitted on behalf of the Powys Pension Fund to the Department for Levelling Up, Housing and Communities (DLUHC) regarding the levelling up and pooling of funds consultation.

The Pension Fund Manager explained that a strong message had been provided from Wales including potential implications from changes that may be introduced. It was noted that the Powys Fund value is approximately £800m and the Welsh Pensions Partnership (WPP) was over £20b.

3.2 – McCloud, a Local Government Pension Scheme amendment was implemented on 01 October 2023, retrospective work would be undertaken by the Pensions Team in order to ensure that all member records affected were corrected accordingly. The Pension Fund Manager responded to a query around the costs within the scheme and explained that the impact would be on administration and liability and not expected on the investment management cost.

Assurance was provided to the Committee by the Section 151 Officer that any review around resources will be carried out with benchmarking against other funds and emphasised that Powys did not have the same economies of scale as other funds.

The Chair of the Powys Pensions Board commented that a key link was evident between the level of resource and frequency of breaches, and adequate resources was expected by the Pensions Regulator to provide the administrative function.

## 6. Risk Register

6.1 – an addition was added to the Investment Pillar around climate change.

INVEST0012 – the risk reflected the actions of the Welsh Pensions Partnership (WPP), the Committee requested that the risk be aligned with separate issues of the eco system and food production.

ADMIN0010 – Work is ongoing in respect of existence checking for overseas pensioners. The Pensions Team had reached out to gain more understanding on how other funds carry out checks which may in turn be introduced.

#### 7. Breaches Register

7.2 - a new breach had been identified and added to register for employers that do not submit pension contributions within the statutory timeframes. The Pensions Team have introduced a dedicated post in place to monitor and support all employers to ensure compliance with the regulations.

It was moved and duly seconded to note the report and approve the risk register.

**Resolved:**

1. Administration and Governance Update be noted.
2. The Risk Register be approved.

**Recommendation:** INVEST0012 to include separate elements that are aligned with climate change (food production and the eco system).

<b>5.</b>	<b>NEW FUND EMPLOYER</b>
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The Committee considered the report. The Pension Fund Manager notified the Committee that Forden with Leighton and Trelystan community Council had become a Pension Fund employer. Support and guidance had been provided to the new employer to ensure that all processes and regulations were adhered to.

<b>6.</b>	<b>WALES PENSION PARTNERSHIP [WPP] UPDATE</b>
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The Committee received the update. Policy reviews had been undertaken by the WPP and a new Breaches Policy had been published and seen as progress around governance.

The WPP had produced packs which enables each of the constituent authorities in Wales to provide and share information in a consistent way.

It was moved and duly seconded to note the reports for agenda 6.

**Resolved:** The WPP Update Report be noted.

<b>7.</b>	<b>EXEMPT ITEM</b>
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**Resolved:** to exclude the public for the following items of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

<b>8.</b>	<b>OPERATOR UPDATE</b>
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The Committee reviewed the reports from the Link Group presented by James Zealander. The Committee received reassurance from James that there would be no impact on operations and support for all those involved in the Wales Pension Partnership (WPP) when Link Group move to the Waystone Group in the near future. The presentation provided the Committee with the operational oversight and the core principles in which they were governed, and details of fund launches and changes that had occurred.

**Resolved:** The Link Group Operator Update report be noted.

<b>9.</b>	<b>RUSSELL INVESTMENTS UPDATE</b>
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The Committee received an update on the WPP's Sustainable Active Equity and Emerging Markets sub-funds from the Russell Investments Team and commented that the reports provided were extremely comprehensive.

The presentation included a detailed overview of the market environment and the strategies held within the global market.

A performance breakdown was provided around emerging markets for quarter three and the Committee noted that the presentation provided a clear position. The WPP Sustainable Active Equity Fund structure provided the Committee with details of the asset allocation, fund details and important exclusions.

**Resolved:** The Russell Investment Update report be noted.

<b>10.</b>	<b>INVESTMENT STRATEGY</b>
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The Committee considered the Investment Strategy Paper from AON representatives. The purpose of the presentation was to provide the Committee with details around the review of the funding strategy which interacts between investment risk and the discount rate in which market conditions had significantly changed reflecting impacts from global interest rates.

Discussions were held concerning the broader view of the discount rate and the volatility of the assessment made around liabilities and how risks and protection structures demonstrated the stability of the fund. Before the recommendations were put before the Committee for decision clarification was provided by AON.

It was moved and duly seconded to approve the paper and recommendations.

**Resolved:**

1. The Investment Strategy Paper be approved.
2. All three recommendations within the report be approved.

<b>11.</b>	<b>CASHFLOW</b>
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The Committee considered the Cashflow Report presented by the Fund Actuary (Aon). The presentation covered liability and asset cashflows and modelled how different cashflow management approaches were in place to ensure resilience was realised including that of the impact to inflation, along with proposals to changes around those approaches.

It was moved and duly seconded to approve the report and recommendation.

**Resolved:**

1. The Cashflow Report be approved.
2. Recommendation B be approved.

<b>12. PRIVATE EQUITY</b>
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The Committee considered the Private Equity Report presented by Kenneth Ettles a representative from AON, which provided the Committee with reassurance following an assessment that was undertaken by AON on the suitability of the WPP Private Equity Sub-fund for the Powys Pension Fund.

It was moved and duly seconded to approve the Private Equity Report and recommendation.

**Resolved:**

1. The Private Equity Report be approved.
2. The recommendation that the WPP Private Equity Sub-fund was appropriate for the Powys Pension Fund and be funded accordingly to maintain the strategic allocation to the private equity asset class.

<b>13. INVESTMENT PERFORMANCE</b>
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The Committee considered the Investment Performance Report presented by Ben Bryant, a representative from AON, which included an executive summary covering quarter two key statistics.

Following a discussion at the last meeting additional information has been provided to show the outline of discussion points in relation to how performance compared to the LGPS peer group.

It was agreed that the Pension Fund Manager would obtain more information from AON to share with Committee and consider a performance training session.

**Resolved:** The Aon Investment Performance Report be noted.

**Recommendation:** A performance training session would be provided to members of the Committee.

<b>14. WALES PENSION PARTNERSHIP PROCUREMENT</b>
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The Committee considered the Wales Pension Partnership Procurement Report. The Governance arrangements required approval from the Committee for the evaluation criteria before the publishing the tender.

It was moved and duly seconded to approve the evaluation criteria required within the tender.

**Resolved:** The Wales Pension Partnership Operator Procurement Report be approved.

<b>15. DRAFT ANNUAL REPORT</b>
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The Committee considered the Draft Annual Report which had been passed to the Welsh Audit Committee for consideration at a meeting on the 20 November 2023.

The final report would be presented to the Pension Investment Committee on the 29 November 2023 before publication on 01 December 2023.

A discussion took place around timescales of the publication and the Committee were urged to read the report and contact officers with any queries.

It was moved and duly seconded to note the report.

**Resolved:** The Draft Annual Report be noted.

<b>16. RESPONSIBLE INVESTMENT SUB-GROUP</b>
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The Committee considered the Responsible Investment Sub-Group Report. It was discussed at the last meeting that a sub-group could be formed to review topics before Committee meetings due to time constraints and felt it was a positive way forward. It was also suggested that the sub-group could undertake training which would be a significant benefit to members.

It was moved and duly seconded to note the report and approve the proposed recommendation to establish a sub-group.

**Resolved:**

1. The Responsible Investment Sub-Group report be noted.
2. The recommendation to establish a Responsible Investment Sub-Group be approved.

<b>17. EMPLOYERS PERFORMANCE</b>
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The Committee reviewed the Employers Performance Report. It was explained by the Pension Fund Manager that not all employers achieved statutory timescales for the submission of data and contributions, and the process within the Administration Strategy was being followed by the Pensions Team in order to ensure all employers comply with regulations. He also added that all employers receive a quarterly newsletter that included desensitised performance information along with support and guidance contract details and information.

**Resolved:** The Employers Performance Report be noted.

**County Councillor P E Lewis (Chair)**



## CYNGOR SIR POWYS COUNTY COUNCIL

## PENSION &amp; INVESTMENT COMMITTEE

29 November 2023

**REPORT AUTHOR:** Head of Financial Services

**SUBJECT:** Pension Fund Annual Report 2022/23

**REPORT FOR:** Decision

- 1.1 In accordance with the Local Government Pension Scheme Regulations 2013, Powys County Council as the Administering Authority of the Powys Pension Fund must prepare a Pension Fund Annual Report for the year beginning the 1 April. The report must be published on or before 1 December.
- 1.2 Governance and Audit Committee are meeting on 24 November to consider and approve the Pension Fund Accounts. They will take into consideration the Auditor General's Audit of Accounts report, which intends to issue an unqualified opinion. Pending Governance and Audit Committee approval the Auditor General is expected to sign the Accounts before the end of November 2023.
- 1.3 Within the report, it states "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 Regulations 2013".
- 1.4 In addition to the Fund accounts, the Pension Fund Annual Report includes key current statements relating to the scheme, a Chairman's Statement, a Pension Board report alongside additional performance measurement and statistical information.
- 1.5 The draft version of the report was presented to the Committee on 6 Oct 2023.

<b>Recommendation:</b>	<b>Reason for Recommendation:</b>
<p><b>That Pensions and Investment Committee considers and approves the 2022-23 Pension Fund Annual Report.</b></p> <p><b>The Annual Report be published by 1 December 2023.</b></p>	<p><b>To ensure compliance with the Statutory Requirements.</b></p>

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# Pension Fund Annual Report & Accounts 2022/23





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# Annual Report 2022/23

## Chairman's Statement

I am pleased once again to be able to present to you the Annual Report of the Powys Pension Fund. This report covers the 12 months ending on the 31<sup>st</sup> of March 2023.

May 2022 saw local government elections take place in Wales, which has meant many changes to Councillor membership within the Councils in Wales, but also on Pension Fund Committees. The Powys Fund also saw some changes and I am pleased to have again been elected as Chair of the Pensions and Investment Committee. I would also like to take this opportunity to thank those Committee members who have moved on for their efforts over recent years and welcome those new and returning members to the Committee and I look forward to working with them.

2022 was a challenging year for many asset classes in the investment universe. Performance dragged through much of the calendar year but started to pick up towards the end of the year. The Fund has adopted several strategies to help mitigate against poor performance in the markets, through diversification of investments across multiple asset classes, but also via its equity protection strategy.

The fund has again taken the decision to continue with the equity protection that it put in place ahead of the valuation at 31<sup>st</sup> March 2022. This strategy has helped the fund manage fluctuations in the stock market, whilst still maintaining a desired rate of return for the fund as set within the Investment Strategy Statement.

Once again, a significant focus for the fund this year has been on Responsible Investment and Climate Change. Work has continued on preparation for the Taskforce for Climate Related Financial Disclosures (TCFD). I am pleased that the WPP has now become a [signatory](#) to the UK Stewardship Code, which demonstrates our commitment to this journey into a lower carbon economy.

The Fund continues to take its Environmental, Social and Governance (ESG) responsibilities seriously and decided in 2022 to restructure its equity portfolio to take advantage of the Wales Pension Partnership Sustainable Active Equity sub-fund that will launch in 2023. At the same time, the equity allocation is being adjusted to reduce carbon exposure as the economy moves towards a net-zero goal. The Fund will continue to monitor progress and developments in this area closely.

The Powys Pension Fund has continued to work alongside the other Welsh LGPS Funds as part of the Wales Pension Partnership (WPP) and has currently pooled approximately 70% of assets within pooled investment vehicles. We look forward to working with the WPP on the next set of asset classes that will become available.

I am pleased to say that the triennial valuation exercise was completed on time and returned a positive result, with an increase in funding level to 99.4% from 93% at the 2019 valuation. The final valuation report can be seen on the Fund's website together with the revised Funding Strategy Statement.

As we look forward into the next year, we are expecting to take advantage of new sub funds being made available at the Wales Pension Partnership and increase focus on climate change at responsible investment.

## Annual Report 2022/23

I trust that you will find this year's report interesting and informative. Should you have any comments on this report or any aspect of the Pension Fund or the Local Government Pension Scheme, see Appendix 4 for details of how to contact us.

Cllr Peter Lewis

Chair of the Pensions and Investment Committee

# Annual Report 2022/23

## Scheme Management and Advisors

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 May 2022 the membership of the Committee was as follows:

County Councillor P Lewis (Chair)  
County Councillor E A Jones (Vice Chair)  
County Councillor A Kennerley  
County Councillor C Kenyon-Wade  
County Councillor H Williams  
County Councillor D Thomas  
T Fretten (Fund Employers)  
Vacant (Scheme Members)

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

During the 2022/23 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.

### Officers:

Mrs J Thomas (s.151 Officer and Head of Finance)  
Mr C Hurst (Pension Fund Manager)  
Mr D Paley (Financial Reporting and Policy Accountant)

### External Parties:

Actuary	AoN Solutions
Asset pool	Wales Pension Partnership (Link Fund Solutions)
Auditor	Audit Wales
AVC providers	Prudential, Standard Life & Utmost Life and Pensions
Bank	HSBC
Investment advisor	AoN Solutions
Legal advisor	Burges Salmon
Scheme administrator	Powys County Council
Internal Audit	SWAP Internal Audit Services



## Risk Management

The Fund uses a risk register to identify, manage and monitor risks to the Fund. The risk register can be found under the heading Governance and Policies, with the following link.

<https://www.powyspensionfund.org/forms-and-publications/>

The Investment Strategy Statement highlights the Funds approach to risk, the assessment of risks and how they are managed. The Funding Strategy Statement which can be viewed [here](#) includes the key risks and controls in place to mitigate them.

At year end investment managers are requested to provide SSAE16/70 or equivalent type reports for review. Our Investment Advisors provide quarterly reports in line with Committee meetings to update on investment activity and performance over the period.

## Financial Performance

The main movements between years can be attributed to increases in the market value of the investments. The movements in non-investments assets and liabilities can be found in Note 13: Current Assets and Liabilities of the accounts. The Fund's return for the year to 31 March 2023 was -4.7%

At the last valuation it was determined that the aggregate Employer total contribution rate required to restore the funding ratio to 100% using a recovery period of 13 years from 1 April 2023 is 23.2% of pensionable pay. In 2022-23, 88.5% of contributions & 83.1% of contributions data were received in timely manner.

# Annual Report 2022/23

## 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. 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.

### Annual Governance Statement

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

### Changes to Scheme Rules

During 2022/23 there has been one statutory instrument (SI) issued that changed the rules governing the LGPS. This is SI2023-279. More information on that Statutory Instrument and the changes it introduced can be found [here](#).

### The Pensions Regulator

In April 2015 the Pensions Regulator published the Code of Practice no. 14: Governance and Administration of Public Service Pension Schemes. The Code applies to all schemes established under the Public Service Pensions Act 2013 and is directed at scheme managers and members of pension boards of public service schemes. The Code currently contains four parts, although the Regulator launched a consultation in May 2021 on a consolidated code, which the Powys Pension Fund responded to. In its current form the code is broken down as follows:

- Governing your scheme
- Managing risks
- Administration
- Resolving issues

Pension Fund officers and the Powys Pension Board will continue to oversee and monitor the performance of the Powys Pension Fund against the Code.

The Fund is required to complete an annual return to The Pensions Regulator and include scores on the quality of the Common and Scheme Specific Data, measured against the

regulator's specified criteria. In the latest return, the scores for the quality of Common Data was 98.30% and the Scheme Specific Data was 91.95%.

The fund maintains a data improvement plan which can be viewed [here](#) and cleanses data annually.

### Altair

Since January 2011 the Pensions Team's main administration system has been Altair, provided by Heywood. This system is used for holding membership data, the calculation of pension benefits, the generation of scheme documents and the data extracts required at each actuarial valuation. Workflow is now monitored through Altair and makes use of the Insights reporting software, also provided by Heywood.

A member self-service portal is also provided for scheme members use, enabling 24/7 access for scheme members to their Powys Pension Fund pension benefits.

The address for this facility is [www.mypowypension.co.uk](http://www.mypowypension.co.uk).

More detail on the online facility is included in the "My Powys Pension Engagement" section of this report.

### Performance Standards

The Pensions Team has a number of service standards that it seeks to meet in order to ensure that it is providing an efficient and timely service to members of the LGPS. The standards are:

#### New Active Members

**Membership Certificate:** We aim to issue a Membership Certificate to a new member within one month of receiving a completed notification from the member's employer.

**Transfers In:** We aim to acknowledge the member's request for transfer details and calculate the estimated benefits that a transfer value will buy and issue a quotation within 20 days of receiving details from the previous scheme and any additional essential information required from Her Majesty's Revenue & Customs. We aim to request payment of the transfer value within 10 days of receiving confirmation from the member that the transfer is to proceed. We aim to confirm the actual benefits purchased by the transfer value within 10 days of receiving payment from the previous scheme.

# Annual Report 2022/23

## Existing Active Members

**Annual Benefit Statements:** Provided pay details are received from employers promptly after the year end and provided we hold all of the relevant information, we will make available by 31<sup>st</sup> August each year, an Annual Benefit Statement to each member showing the estimated current value of accrued benefits, the value of prospective benefits at normal retirement age, the estimated current value of death-in-service benefits and, for tax purposes the amount of Annual Allowance used by the change in benefit value since the previous year.

**Paying Extra Contributions:** We aim to provide information within 10 days of receiving a request from a member wishing to pay extra contributions.

**Retirements:** We aim to send details of the benefits payable and pay the member's tax-free cash lump sum within 20 days of receiving all the information required from the member's employer and/or the member.

**Deaths:** We aim to send details of the benefits payable within 20 days of receiving all the information required from the late member's employer and we will pay the lump sum death grant within 20 days of receiving Grant of Probate (or other appropriate documentation) or authorisation from two delegated officers.

**Early Leavers:** We aim to send details of the benefit options available within 2 months of receiving all the information required from the employer.

**Refunds:** We aim to pay a refund by the end of the month following receipt of the member's formal request for payment.

**Transfers Out:** We aim to issue a quotation, guaranteed for 3 months, within 20 days of receiving the member's request and confirmation of the member's contracted-out rights from Her Majesty's Revenue & Customs (where appropriate). We aim to pay a transfer value within 10 days of receiving confirmation from the member that the transfer is to be made and all the information we require to make payment.

## Deferred Members

**Annual Benefit Statements:** We aim to make available to each deferred member a Benefit Statement by 31 August annually, showing the current value of the member's preserved benefits.

**Deferred Benefits into Payment:** Provided we hold an address which has been confirmed we will write to the member setting out the benefit options available to them, at least 30 days prior to the date benefits become payable.

## Communications

An effective communications strategy is vital for any organisation that strives to provide a high quality and consistent service to its customers. The complexity of pensions in general and the LGPS in particular, places communications at the heart of a high quality service provision. Communication material is produced locally and on an all Wales basis in collaboration with the 7 other Welsh LGPS Pension Funds.

Powys Pension Fund communicates with all stakeholders, as defined in specific legislation. Communications are increasingly distributed via electronic means, with all documents available on the Pension Fund website: [www.powyspensionfund.org](http://www.powyspensionfund.org), whilst Pension Team staff can be contacted via email at [pensions@powys.gov.uk](mailto:pensions@powys.gov.uk).

A named Pension Technician is allocated to each member of the Scheme.

The Communications Policy was reviewed in 2022 and is available on the Fund's website [here](#).

Appropriately qualified members of staff from the Pension Team or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings as required. The Pension Fund's objective in respect of communication is to comply with relevant legislation and ensure that individual members and employers receive accurate and timely information about their pension arrangements.

## Value for money statement

The Fund constantly considers value for money and seeks efficiencies where possible through automation, workflow developments and utilising new technologies when available. Where required, the Fund will use the national LGPS Framework for procurement, which complies with the relevant procurement legislation and will save time and money by allowing a quicker, more efficient procurement process.

# Annual Report 2022/23

## Scheme Statistics and Performance

### Details of new pensioners

<b>Total Retirements in 2022-23</b>	
Ill Health	5
Early Retirements	176
Normal Retirements	49

### Financial Indicators

	<b>2022-23 Total Expenses £'000</b>	<b>2022-23 Cost per member £</b>
Administration expenses	1,420	78
Investment management expenses	4,332	239
Oversight and governance costs	185	10
<b>Total Management Expenses</b>	<b>5,937</b>	<b>327</b>

<b>Process</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Investment Management Expenses</b>					
Total Cost (£'000)	2,432	2,778	3,575	3,348	4,332
Total Membership (number)	16,601	16,655	16,911	17,910	18,142
Sub Cost per Membership (£)	146.50	166.80	211.40	186.93	238.78
<b>Administration Costs</b>					
Total Cost (£'000)	1,019	1,073	1,118	1,261	1,420
Total Membership (number)	16,601	16,655	16,911	17,910	18,142
Sub Cost per Membership (£)	61.38	64.43	66.11	70.41	78.27
<b>Oversight and Governance Costs</b>					
Total Cost (£'000)	151	126	126	125	185
Total Membership (number)	16,601	16,655	16,911	17,910	18,142
Sub Cost per Membership (£)	9.10	7.57	7.45	6.98	10.20
<b>Total Cost per Member</b>	<b>216.98</b>	<b>238.80</b>	<b>284.96</b>	<b>264.32</b>	<b>327.25</b>

The Fund participates in the National Fraud Initiative, a data matching exercise to detect and prevent fraud and overpayments. The initiative, which is organised by the Audit Commission, requires the provision of details of pensioners to compare against data provided by other public bodies to ensure:

- Pensions are not paid to persons who are deceased or no longer entitled to them
- Occupational pension income is declared when any benefits are applied for.

Participation in the latest exercise revealed no cases of overpayments as a result of fraud.

### Staffing

There are 13.8 (FTE) members of staff in the Pension Administration section. Of their work 10.7 FTE equivalents would be performing purely pension administration tasks. This calculates to a ratio of 1,696 members per member of staff performing purely pension administration tasks.

### Employers in the Fund

Employer Data	Active	Ceased	Total
Scheduled Bodies	11	2	13
Admitted Bodies	9	17	26
Total	20	19	39

Further details of Fund Employers can be found in Appendix 4.

# Annual Report 2022/23

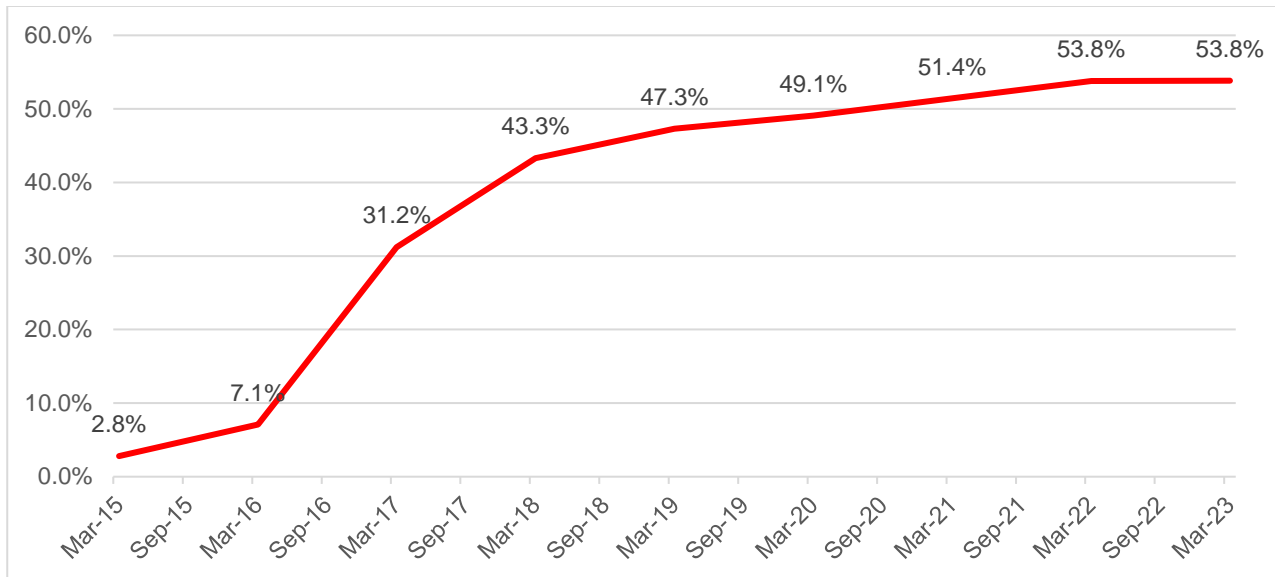
## Contributions received by employers and employees

2022/23	No of Contributors as at 31 Mar	Employers	Employers	Members	Total
		Normal	Additional	Normal	
		£	£	£	£
<u>Scheduled Bodies</u>					
Brecon Beacons Nat. Pk.	112	628,184	-	196,516	824,700
Brecon Town Council	7	30,467	2,900	7,810	41,177
Llandrindod Wells Town Council	1	8,463	-	2,489	10,952
Llanidloes Burial Joint Cttee	1	4,216	1,400	978	6,594
Llanidloes Town Council	1	8,010	220	2,197	10,427
Machynlleth Town Council	8	33,247	-	8,443	41,690
Newtown Town Council	10	64,779	-	18,634	83,413
Powys County Council	5,182	20,435,908	3,542,596	5,832,043	29,810,547
Welshpool Town Council	1	3,940	11,900	914	16,754
Ystradfellte Community Council	1	563	157	135	855
Ystradgynlais Town Council	2	13,553	3,300	3,341	20,194
Total	5,326	21,231,330	3,562,473	6,073,500	30,867,303
<u>Admitted Bodies</u>					
Adapt Business Services	7	12,279	-	2,957	15,236
Adapt Fire Stations	4	2,951	-	570	3,521
Careers Wales	17	138,008	-	51,398	189,406
Freedom Leisure (Ex Pcc)	114	187,880	-	75,593	263,473
Freedom Leisure (Post PCC)	40	48,417	-	18,973	67,390
Heart Of Wales Property Services	-	32,830	-	27,462	60,292
Menter Maldwyn	3	16,032	-	4,147	20,179
Mirus-Wales Ltd	4	22,592	-	6,072	28,664
P.A.V.O. (Former P.R.C.)	3	19,085	-	4,969	24,054
Powys Dance	-	-	-	-	-
Shaw Health Care (Group)	17	98,121	-	20,963	119,084
Shaw Healthcare Brynhyfrydd	-	1,824	-	329	2,153
Solo Service Group	-	-	-	-	-
Theatr Brycheiniog	1	4,731	-	1,959	6,690
Ystradgynlais Miners Welfare & Com Hall Trust Ltd	1	10,073	-	2,598	12,671
Total	211	594,823	-	217,990	812,813
Total	5,537	21,826,153	3,562,473	6,291,490	31,680,116



## My Powys Pension Engagement

My Powys Pension was launched at the end of February 2015 as the new way for scheme members to monitor and engage with their pension. Below is a chart which shows the percentage of scheme members (excluding councillors) who have registered to this service since it was launched.



## Website traffic

The hosts of our websites are able to track how many visits they receive, including new visitors and how many webpages have been viewed. Below is a summary of their data over each financial year.

Financial Year	Visits	New Visits	Page Views	Avg. Pages per Visit
<b>2019/20</b>	3,186	2,464	5,650	1.77
<b>2020/21</b>	2,639	2,154	4,793	1.81
<b>2021/22</b>	2,648	2,026	4,674	1.77
<b>2022/23</b>	6,178	4,741	13,428	2.17

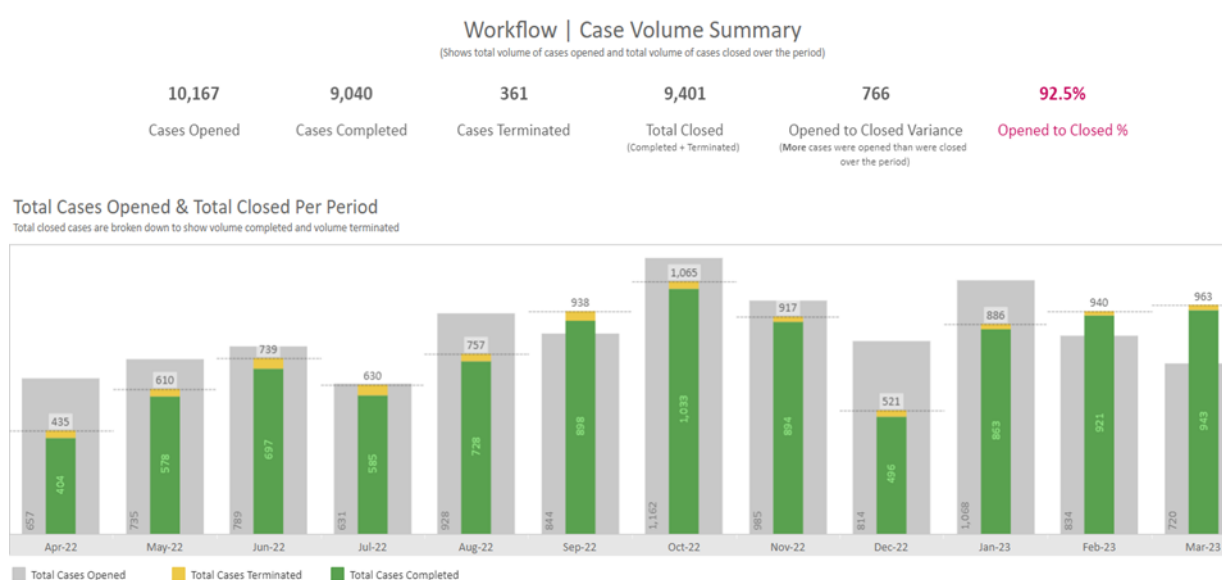
# Annual Report 2022/23

## Workflow Performance

As covered in Performance Standards on page 6, the below table shows the workload placed on the Pensions Team and how many of the various requests have been fulfilled. The 'Performance' percentage is calculated by dividing the number of tasks completed in the given year by those raised in the same year. As such if some of the completed tasks were originally raised in the previous year, this may exceed 100%.

	2020/21	2021/22	2022/23
<b>Brought Forward</b>	2,277	2,756	3,305
<b>Started</b>	7,091	7,794	10,167
<b>Completed</b>	6,612	6,542	9,401
<b>Carried Forward</b>	2,756	3,305	4,071
<b>Performance</b>	<b>93.20%</b>	<b>86.50%</b>	<b>92.50%</b>

2022/23 Performance visualised:



The overall performance over the 2022/23 year is at 92.50%. This is an improvement on the previous year as we have seen the restructure of the Administration team bed in. Whilst this remains below the benchmark of 100%, once again, this is primarily due to the increasing numbers of leavers with deferred benefits and the aggregations arising as a result.

The following tables are also calculated using a system that is being continuously developed, so there may be a slight discrepancy in some of the values whilst development continues. However, best efforts have been made to provide meaningful results.

It is important to keep in mind that some processes included in the numbers below were started at the end of the period so will not have been possible to complete within the period, but conversely, some of those open at the start will have been completed within the period.

Process	No. cases outstanding at start of period	No. Cases commenced in year	No. cases completed in year	No. cases outstanding at year end	% completed in year
Deaths	15	139	135	15	90.0
Retirements	71	278	295	54	98.9
Deferment	603	447	332	718	31.6
Transfers In	32	75	47	60	62.7
Transfers Out	13	91	79	25	76.0
Divorce Quote	3	18	20	1	95.2
Divorce Actual	0	2	1	1	50.0
Pension Estimates	49	584	577	56	98.8
Starters	6	1,028	1,031	3	99.7
Aggregations	185	282	83	353	19.0

Process		Legal Requirement (from Notification)	% achieved
Death	Letter Acknowledging death of member	2 months	94.5
Death	Letter notifying amount of dependant's benefits	2 months	92.1
Deferment	Calculate & Notify Deferred Benefits	2 months	77.6
Transfer Out	Letter detailing Transfer Out Quote	2 months	80.9
Refund	Process and Pay a Refund	2 months	97.7
Divorce Quote	Letter detailing cash equivalent value and other benefits	3 months	100.0
Divorce Actual	Letter detailing implementation of cash equivalent value and application of pension sharing order	3 months	100.0
Joiners	Send notification of joining the LGPS to scheme member	2 months	99.7
Retirements	Letter notifying estimate of retirement benefits	2 months	99.0
Retirements	Process and pay lump sum retirement grant	2 months	99.0
Transfers in	Letter detailing transfer in quote	2 months	62.7

# Annual Report 2022/23

## Investment Policy and Performance Report

### Asset Class and Manager Performance

Asset Class/ Manager	1 Year			3 Year			5 Year		
	%	%	%	%	%	%	%	%	%
	PF	BM	ER	PF	BM	ER	PF	BM	ER
<b>Equity</b>	<b>(4.2)</b>	<b>(3.0)</b>	<b>(1.2)</b>	<b>15.4</b>	<b>16.4</b>	<b>(1.0)</b>	<b>8.2</b>	<b>9.7</b>	<b>(1.5)</b>
LF WPP Global Growth Fund	(0.8)	(1.4)	0.6	14.9	15.5	(0.6)	-	-	-
BlackRock	(7.4)	(7.4)	-	15.3	15.3	-	8.1	8.1	-
<b>Bonds</b>	<b>(10.4)</b>	<b>(6.5)</b>	<b>(3.9)</b>	<b>(0.7)</b>	<b>0.3</b>	<b>(1.0)</b>	<b>0.5</b>	<b>1.6</b>	<b>(1.1)</b>
Link WPP Global credit	(8.5)	(6.6)	(1.9)	-	-	-	-	-	-
Link WPP ARBF	2.2	4.3	(2.1)	-	-	-	-	-	-
Link WPP Multi Asset Credit	(6.2)	6.8	(13.0)	-	-	-	-	-	-
Insight Index Linked Gilt	(30.5)	(30.4)	(0.1)	(4.6)	(9.2)	4.6	-	-	-
BlackRock Index Linked Gilt	(30.4)	(30.4)	-	(9.2)	(9.2)	-	(4.1)	(4.1)	-
Blackrock Gilts	(16.2)	(16.3)	0.1	(9.1)	(9.1)	-	(3.0)	(3.1)	0.1
<b>Property Fund</b>	<b>(14.3)</b>	<b>(14.5)</b>	<b>0.2</b>	<b>2.7</b>	<b>2.5</b>	<b>0.2</b>	<b>2.7</b>	<b>2.5</b>	<b>0.2</b>
Aviva	(26.3)	(14.5)	(11.8)	1.9	2.5	(0.6)	1.9	2.5	(0.6)
Hermes UK Property Fund	(4.4)	(13.7)	9.3	5.4	2.7	2.7	5.0	2.7	2.3
Schroders UK Property Fund	(16.5)	(14.5)	(2.0)	1.2	2.5	(1.3)	1.6	2.5	(0.9)
CBRE European Property Fund	(44.1)	13.5	(57.6)	(47.3)	7.9	(55.2)	(42.4)	5.7	(48.1)
<b>Private Equity</b>	<b>(5.2)</b>	<b>(1.2)</b>	<b>(4.0)</b>	<b>24.0</b>	<b>16.1</b>	<b>7.9</b>	<b>24.3</b>	<b>10.4</b>	<b>13.9</b>
Standard Life	(1.1)	(0.5)	(0.6)	(11.7)	17.1	(28.8)	(0.9)	11.3	(12.2)
HarbourVest	(5.2)	(0.5)	(4.7)	24.2	17.1	7.1	24.5	11.3	13.2
<b>Hedge Funds</b>	<b>6.2</b>	<b>0.8</b>	<b>5.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Adept	6.2	0.8	5.4	-	-	-	-	-	-

PF = Powys Pension Fund

BM = Benchmark

ER = Excess Return

## Wales Pension Partnership (WPP)

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

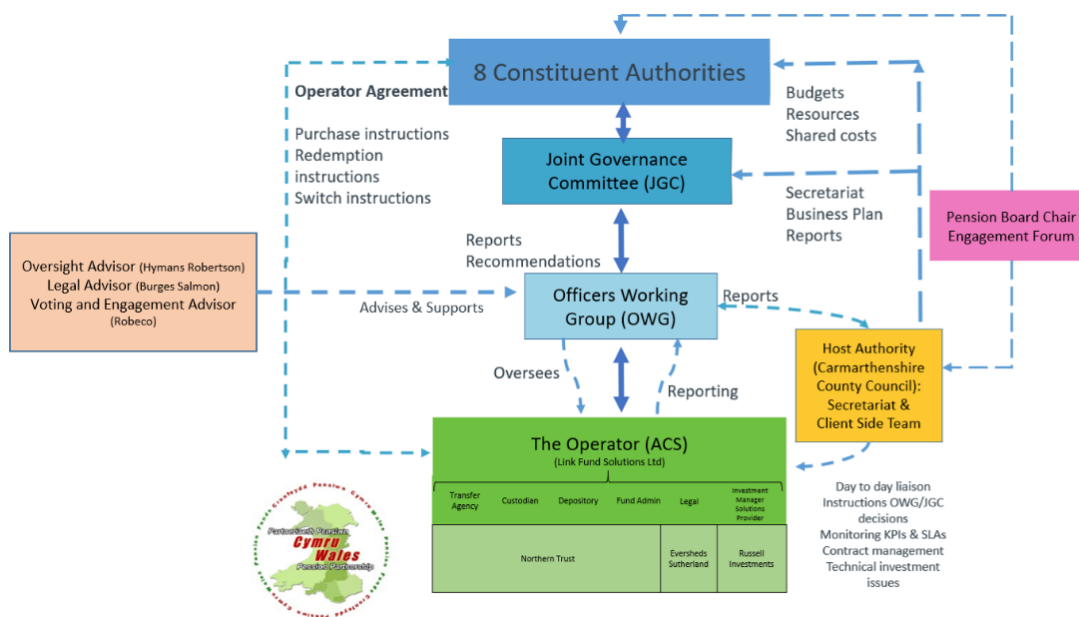
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government’s pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP’s operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Link Fund Solutions and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

### Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



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The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Gwynedd Council
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and workplan, as well as its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities.

The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Link Fund Solutions (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Link Fund Solutions carries out on behalf of the WPP. Link engages with the Constituent Authorities by:

- Direct engagement – attendance at annual committee meetings
- Indirect engagement – with CAs collectively, through the JGC and OWG

In collaboration with Link Fund Solutions, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors, and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies. The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans are listed below and can be found on the WPP website.



Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP's ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies.

The WPP's Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website:

<https://www.walespensionpartnership.org/>

## **Risk**

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been

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developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

### **Training**

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities.

### **Pooling progress to date**

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has pooled 70% of assets.



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As at 31 March 2023, WPP has total assets worth £22.5bn, £15.6bn of which sits within the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2023 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,274,153	14.6
Global Opportunities Equity Fund	Russell Investments	February 2019	3,269,124	14.6
UK Opportunities Equity Fund	Russell Investments	September 2019	760,143	3.4
Emerging Markets Equity Fund	Russell Investments	October 2021	354,601	1.6
Global Credit Fund	Russell Investments	July 2020	693,665	3.1
Global Government Bond Fund	Russell Investments	July 2020	481,417	2.1
UK Credit Fund	Link Fund Solutions	July 2020	520,721	2.3
Multi-Asset Credit Fund	Russell Investments	July 2020	655,191	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	559,107	2.5
Passive Investments	BlackRock	March 2016	5,074,366	22.6
Investments not yet pooled			6,812,892	30.3
<b>Total Investments across all 8 Pension Funds</b>			<b>22,455,380</b>	<b>100</b>

Investment assets split between Powys Pension Fund and WPP

	31 March 2023 £000	%
Global / UK Opportunities / Emerging Markets Equities	136,130	17.5
Global Credit / Global Government / UK Credit...	163,082	21.0
Passive Equities	190,076	24.5
Passive Bonds	35,924	4.6
Investments not yet pooled	251,875	32.4
<b>Total Investment Assets</b>	<b>777,087</b>	<b>100</b>

The table above summarises Powys Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund as at 31 March 2023.

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## Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs, the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to Powys Pension Fund for the financial year ending 31 March 2023 was £163.8k, see table below.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund.

Details of the costs incurred by the Powys Pension Fund in respect of the WPP are detailed below.

<b>2021/22 £'000</b>	<b>WPP Pooling Costs</b>	<b>2022/23 £'000</b>
23.4	Host Authority Costs *	20.9
111.3	External Advisor Costs *	137.1
<b>134.7</b>	<b>Total</b>	<b>158.0</b>

\* Host Authority and External Advisor costs are recharged directly to the fund

## Asset Allocation and Performance

Asset Category	Opening Value		Closing Value		Performance (1 year)	Local / Target
	£000s	%	£000s	%	%	%
<b>Pooled Assets</b>						
Equities Passive	207,492	26.1	190,076	24.5	(6.3)	(6.6)
Equities Active	133,337	16.8	136,130	17.5	(1.0)	(1.4)
Fixed Income Active	184,040	23.1	163,082	21.0	(1.0)	3.0
Fixed Income Passive	39,001	4.9	35,924	4.6	(22.4)	(22.5)
<b>Total</b>	<b>563,870</b>	<b>70.9</b>	<b>525,212</b>	<b>67.6</b>		
<b>Assets not yet pooled</b>						
	<b>231,350</b>	<b>29.1</b>	<b>251,875</b>	<b>32.4</b>	<b>(6.4)</b>	<b>(13.1)</b>
<b>Total</b>	<b>795,220</b>	<b>100.0</b>	<b>777,087</b>	<b>100.0</b>		

## Objectives 2023/24

Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The operator / allocators will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

In establishing the WPP pool, the prime focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisors and they will assist the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes. The Infrastructure, Private Credit and Private Equity allocators have been appointed and work is underway with Real Estate.

WPP's Infrastructure and Private Credit investment programmes have been launched with the Private Equity investment programme due to launch in 2023/24. No funds have yet transitioned into these programmes.

A transition timetable has been provided below:

Investment Portfolio	Timeline for Launch / Implementation
Sustainable Equities	Launch due mid 2023
Private Debt / Infrastructure	Investments to commence in 2023/24
Private Equity	Investments to commence in 2023/24

## Annual Report 2022/23

During 2022/23, the WPP published its second annual Stewardship Report, remaining a signatory to the 2020 UK Stewardship Code. This year has seen an enhanced approach as a responsible investor with the establishment of an engagement framework to review its engagement themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs. 2023/24 will see further enhancements, with the delivery of a WPP climate report, in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. WPP is also working closely with its service providers to further its responsible-investment aims, including evolving its Voting Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy.

There will also be a focus on the review and development of additional WPP policies, as well as the provision of timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

### **Securities Lending**

Securities lending commenced in March 2020. Revenue is split on a 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2022/23 was £1,328,759 (gross) / £1,129,506 (net) with £454,055,992 out on loan as at 31 March 2023.

More detailed information can be found in WPP's Annual Return which is published on the WPP website - [Wales Pension Fund | Home \(walespensionpartnership.org\)](https://www.walespensionpartnership.org)

## Pension Board Report

### 1 Constitution, Representation and Attendance

- 1.1 The Powys County Council Local Government Pension Scheme (LGPS) Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. As such, the Board is not a Committee of the Council.
- 1.2 It held its first meeting on 31 July 2015. From inception it consisted of two representatives of the Scheme employers, and two representatives of the Scheme members, all of whom are voting members. There is also a non-voting independent Chair. In September 2020, Powys County Council approved the addition of two extra Board members, one each from scheme employers and from scheme members. During the year a vacancy for a scheme member representative remained unfilled.
- 1.3 The Board met on five occasions during the year on the following dates: 27 June, 6 September, 28 October, 21 November 2022 and 10 February 2023. All meetings were held virtually. Average attendance was 67% of the appointed members of the Board.

	27 Jun 2022	6 Sep 2022	28 Oct 2022	21 Nov 2022	10 Feb 2023
<b>Gerard Moore: Independent Chair</b>	✓	✓	✓	✓	✓
<b>John Byrne: Scheme Member representative</b>	✓	✗	✓	✗	✓
<b>David Powell: Scheme Member representative</b>	✗	✓	✗	✓	✓
<b>Wayne Thomas: Scheme Employer representative</b>	✓	✗	✓	✓	✓
<b>Nigel Brinn: Scheme Employer representative</b>	✓	✗	✓	✗	✗
<b>Graham Evans: Scheme Employer representative</b>	✗	✓	✓	✗	✓

- 1.4 Board meetings are open to the public, other than when considering exempt items.
- 1.5 To facilitate the operation of the Board, the Chair is invited as an observer to meetings of the Powys County Council Pensions and Investment Committee (“the Committee”).
- 1.6 Where possible opportunities are taken to prepare succession planning.

### 2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS;
  - ensure compliance with relevant laws and regulations.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, and is not a decision-making body. It could be seen as being a critical but supportive friend. It sets its own agenda and can be selective and probe particular topics in more depth than the

## Annual Report 2022/23

Committee, which has a wider range of statutory responsibilities and decision-making. As such, the general approach of the Board is to seek assurances, with evidence from the Fund and external bodies, that the Fund is meeting its objectives, producing its required statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above. It can and does commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.

- 2.3 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. The LGPS in England and Wales has both the Department of Levelling Up, Housing and Communities (DLUHC) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, which also has other powers available, including producing Regulatory Intervention Reports. No such reports from TPR have been issued to the Powys Pension Fund.
- 2.4 The Board is supported by the Board Secretary. The URL for current Terms of Reference is shown in paragraph 7.1.
- 2.5 In 2022/2023 the direct costs of operating the Board, covering travel and training expenses relating to Board members and the fees and expenses of the Independent Chair amounted to £18.2k. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council. There was a specific budget of £25k. Board members are covered by indemnity insurance.

### 3 Detailed Work of the Board

#### 3.1 Overview

- 3.1.1. This is the eighth Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible and pro-active. There is good dialogue among Board members between formal meetings, and especially between the Board Chair and the Board Secretary. All Board members received regular updates of bulletins from TPR, the Scheme Advisory Board (SAB), DLUHC, Local Government Association (LGA) and other relevant sources.
- 3.1.2 There are effective communication links between the Board and the Committee, as the Board Chair produces and formally presents to the Committee an Executive Summary from each Board meeting showing any specific recommendations made by the Board, what assurances it has gained on behalf of the Committee, and any other matters considered to be relevant. I believe the "triangle of trust" between Committee, Officers and Board is firmly established. It is pleasing that governance and administration, which are the primary focus of the Board, feature prominently on the agenda of the Committee.
- 3.1.3. As indicated, the main elements of the work programme of the Board are governance, and oversight of the pensions administration function, which is run by an in-house team. "Working from home" arrangements have been in place for many years, so the risks and revised working procedures required by the pandemic had already been identified, mitigated and managed.

3.1.4 Amongst other objectives, the Board endeavours to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. The Board reviews the quarterly administration performance reports, and requests greater detail where necessary. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their complete, accurate, timely and secure supply of data is critical. Increasingly, data flows from employers are becoming electronic, so data quality is expected to further improve. Provision of quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. As Chair, I attend the annual meeting with scheme employers. To further assist, the Board previews draft policies, statements and procedures, primarily from the viewpoints of process, consistency and communications, and makes appropriate recommendations. During 2022/23 the Board helped shape the draft policies relating to Compliments and Complaints, Conflicts of Interest, Communications Strategy, the Data Improvement Plan and the Draft Business Plan, for subsequent approval by the Committee.

### 3.2 Risk management

A separate Risk Register is produced for the Pension Fund. A detailed assessment of the likelihood of each risk occurring, and its impact, is now judged in the light of the existence of the Board as an additional scrutiny resource. Inherent risks, and then residual risks after mitigations, are given appropriate scores. During the year 2022/2023, the Fund both revised its formatting of the Risk Register and strengthened its procedures whereby the Board now dedicates a short additional meeting to focus on one of the three pillars of the Risk Register, namely Governance and Administration, both of which were reviewed in the year, and Investments, which will be reviewed in 2023/2024. These two deep dives resulted in various recommended changes for the Committee to consider and, where agreed, to adopt. An oversight review of the Risk Register, and consideration of any new risks, remains as a standing item at the quarterly Board meetings, and recommendations included a more explicit analysis of the risks in pooling investments, and adding the Pensions Dashboard to the Administration pillar.

### 3.3 The Pensions Regulator (TPR)

3.3.1 The Pensions Regulator monitors the LGPS on an ongoing basis and has, for example, highlighted delays across LGPS Funds in producing Annual Benefit Statements (ABS's). The Board was pleased to note that Powys Pension Fund once again produced its ABS's by the due date but nevertheless continues to seek assurances that the next set will once again be delivered on time.

3.3.2 During the year the Board, with the Board Secretary, conduct a phased review of the Fund against the standards and expectations of TPR. The Regulator's anticipated wider General Code of Practice, to replace COP 14, which was specifically written for public services pension schemes, is at the time of writing still awaited. When legislated upon and implemented later in 2023, the transition to the General Code will represent a significant challenge for officers and the Board.

## Annual Report 2022/23

3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any action it takes. TPR pays particular attention to data protection and cyber security. Like officers, elected and co-opted Members, the Board members complete the Council's annual examination in these areas.

3.3.4 TPR's Scheme Annual Return is a statutory, factual document for completion by the Fund. TPR measures and seeks annual improvements in data quality. Using 2018/2019 data as a baseline, the return shows percentages for completeness and accuracy of "common data" and "scheme specific data". The most recent submission from Powys indicates figures of 98.30% for common data and 91.95% for scheme specific data, which represented marginal improvements to the previous year. For information, the results for common data were 93.4% and scheme specific data were 75.9% when the exercise was first conducted in the 2017/18 year. It is important to note that the Fund depends on timely submission of accurate data from all employers to ensure accurate calculations of benefits due. Three other examples of its importance are for the calculations of employer contributions, Guaranteed Minimum Pension (GMP) figures, and in due course, to provide data for Pension Dashboards. Whilst data quality for Powys is at a high level, nevertheless a Data Improvement Plan is maintained and monitored by the Board.

### 3.4 Reporting and Recording Breaches

The Board reviews any recorded breaches of the law as a quarterly standing item. The two areas of recorded breaches relate, firstly, to cases of non-payment of "frozen refunds", for which the Fund still awaits receipt of all necessary information to enable payments to be made, and secondly, the delayed notification to scheme members of deferred benefits, which is accepted as a lowish priority task.

The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of the law to TPR. During 2022/2023 none of these recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority. A fast-track reporting system is in place for reporting breaches (those of material significance to TPR) in a timely manner.

The Board may seek further assurances regarding the underlying processes and procedures which are pertinent to the identification of potential breaches, an example being the process for monitoring the timely payment of contributions by scheme employers to the Fund, which have moved almost entirely away from cheques to electronic payments.

### 3.5 Scheme Advisory Board (SAB)

3.5.1. In setting its Work Programme, the Board takes into account the focus and priorities of the SAB, whose minutes it receives. The SAB regularly issues guidance and recommends good practice to pension funds. The SAB also produces an Annual Report encompassing combined data across all LGPS Funds in England and Wales, which is made available to Board members.

3.5.2. The SAB commissions periodic surveys of local pension boards. A second survey is expected in due course.



## 3.6 Review of Investment Issues

Whilst the vast majority of the Board's work focuses on administration and governance issues, investment issues are not ignored.

- 3.6.1 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement, and will monitor progress on climate-related financial disclosures.
- 3.6.2 The Board continues to receive updates on progress by the Wales Pensions Partnership (WPP) on the pooling of assets. The Chairs of the eight Pension Committees make up the Joint Management Committee of WPP, which meets quarterly. Hence the demands on each Pension Committee Chair have significantly increased.
- 3.6.3 The eight Chairs of the Wales Pension Boards participate in half yearly engagement meetings with WPP's host authority, including with external providers.
- 3.6.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise, or in membership of the Committee, which is responsible for decisions on assets of some £777m consisting of multiple and increasingly complex and diverse asset classes. Consequently, there are significant training requirements for all Committee Members, which also include training on the understanding and monitoring of the Fund's liabilities.
- 3.6.5 The Board receives reports on cash flow predictions. These help the Board gain assurances that pensions and lump sums will be paid on time, and that cash management arrangements are sufficiently flexible both to avoid any forced fire-sale of assets and to have cash available when called up by the investment managers.

## 3.7 Scheme documents

- 3.7.1 The Board examines the range of scheme documents expected to be in place, and with which Board members are expected to be conversant. All relevant documents are listed and easily accessible on the Fund's website.
- 3.7.2 The Board pays regard to those standard letters and documents which are sent to scheme members and has made recommendations regarding their content. Particular focus is given to the ever-present dangers of pension scams.

## 3.8 Engagement with s151 Officer

As Board Chair, I hold an annual discussion with Powys County Council's Section 151 Officer. Appropriate assurances have been given to the Committee regarding the appropriate resourcing of the Pensions Team in the light of the additional administrative burdens arising from the multitude of actual and anticipated legislative changes and guidance.

# Annual Report 2022/23

## 4. Ensuring Compliance with Regulatory Deadlines.

- 4.1 A key component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of adopting new legislation, regulations and guidance. In all cases timely progress reports are received, with the Board considering whether any recommendations are needed to help ensure that deadlines are met.
- 4.2 Annual deadlines include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR, SP3 submission and publication of the Pension Fund Annual Report and Accounts. During the year, the Fund complied with all relevant deadlines.

## 5. Training

- 5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge. On appointment, a new Board member receives one to one training with the Board Chair.
- 5.2 The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored. This allows use of both the CIPFA Framework and TPR Toolkit. Board members are informed of external training opportunities and are encouraged to participate in at least two such seminars or conferences each year. Full training records are maintained.
- 5.3 Board members are invited to internal training events provided for Committee members which are often targeted to specific issues or asset classes, and can attend the excellent on-line investment training courses provided by WPP.
- 5.4 A communications log is maintained of all relevant guidance and regulatory updates and documents received and distributed to Board members, to ensure that their knowledge and skills are kept up to date, and to monitor the Fund's compliance with the associated changes.
- 5.5 As Independent Chair, I attend many industry events, and am able to share some of the learning outcomes with Board members, thus adding informal training to the range of opportunities available to the Board. I personally undertook a substantial amount of Continuing Professional Development during the year.

## 6. Workplan

- 6.1 The work plan for 2023/2024 will include the following activity areas:
- Pension Fund Annual Report and Accounts
  - administration, including improved Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
  - internal and external audit reports
  - audit and risk management, including the Risk Register
  - governance; including conflicts of interest, recording and, if appropriate, reporting breaches, and compliance with the regulations, TPR's Code of Practice 14 and its successor, the General Code of Practice.
  - preparation for implementing the DLUHC guidance on the Good Governance Project

- investments, including on-going developments at WPP and implications for Administering Authorities
- overview progress on responsible investments and the Stewardship Code
- monitoring compliance with external deadlines
- member communications
- on-going reviews of cyber security, GDPR (data protection) and managing the threats from pension scams
- participating in and learning from relevant surveys, e.g. of SAB and TPR.
- a review of the Forward-Looking Business Plan
- revised information regarding cash flow projections and monitoring

6.2 The above represents a challenging list. There is flexibility to allow for any additional reviews and developments. The experience gained through holding virtual meetings opened up opportunities to hold additional short but focussed on-line meetings to supplement the scheduled quarterly meetings, such as pillars of the Risk Register, should business so require.

### 7. Public accountability

7.1 As well as being open to the public, the agendas, minutes and the Board's Terms of Reference are available on the Fund's website at the following address:  
<https://www.powyspensionfund.org/about-the-scheme/about-the-pension-fund/local-pension-board/>

I am grateful to my fellow Board members, who have volunteered their time and energies in their roles. Thanks are also expressed to the Board Secretary, the Chair of the Pensions & Investments Committee, the s151 Officer, and the Cabinet Manager for Legal, Scrutiny and Democratic Services and team, for their timely and effective support during these challenging times. Finally, I pay tribute to the Pensions Administration Team for their sterling determination to ensure benefits were paid accurately and in a timely way, notwithstanding the difficulties presented by increased membership, increased legislation and the consequences of the pandemic.



Gerard Moore  
Independent Chair  
Powys County Council LGPS Local Pension Board  
20 June 2023.

## Pension Fund Accounts 2022/23

### Statement of Responsibilities for the Pension Fund Accounts

#### The Council's Responsibilities as Administering Authority

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For Powys County Council, that officer is the Section 151 Officer.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Pension Fund Accounts.

These accounts were approved by Governance and Audit Committee.

Signature: \_\_\_\_\_ Date \_\_\_\_\_

Governance and Audit Committee Chair

#### Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Pension Fund's Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"). These accounts are required to present a true and fair view of the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the Pension Fund Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

The Section 151 Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### Certificate of the Section 151 Officer on the Accounts of Powys County Council Pension Fund for 2022/23.

I certify that the pension fund accounts present a true and fair view of the financial position of Powys County Council Pension Fund as at 31 March 2023 and its income and expenditure for the year then ended.

Signature: \_\_\_\_\_



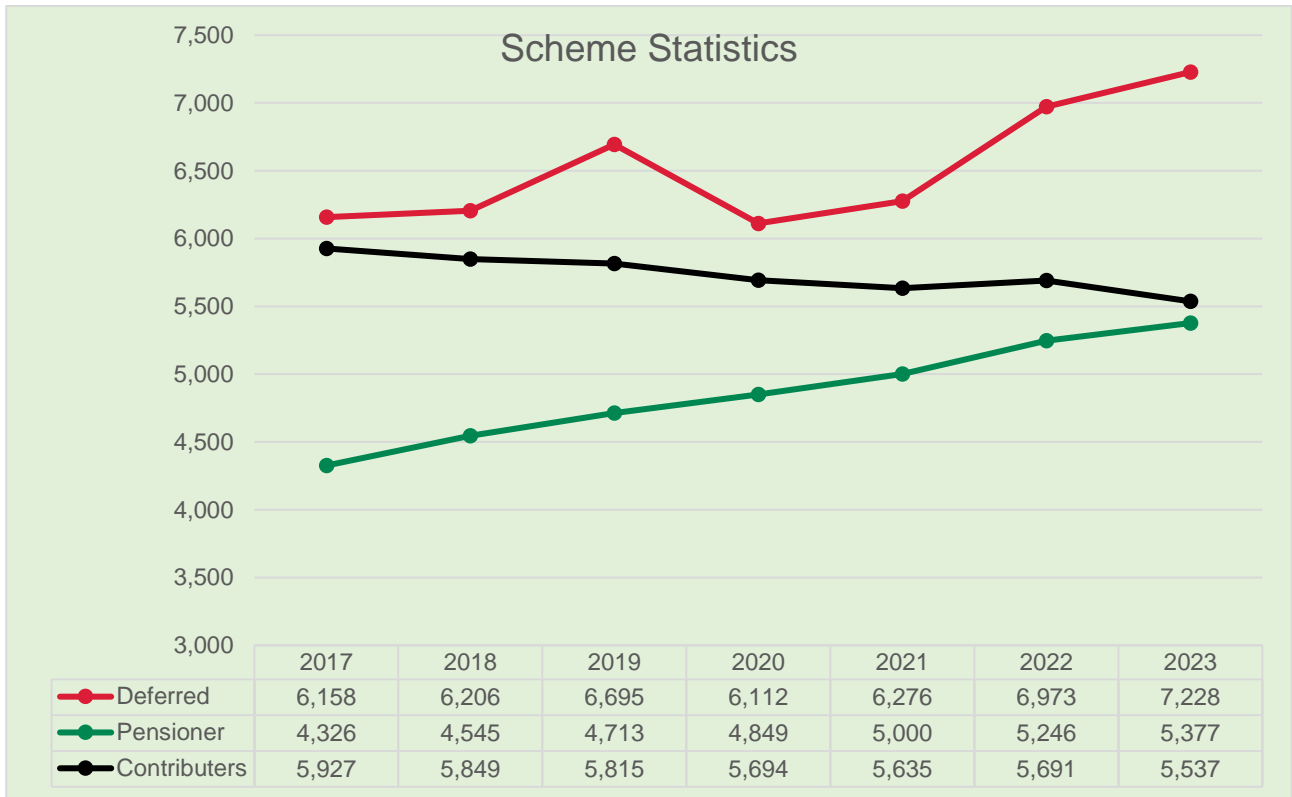
Date of authorisation for issue 30 June 2023

J Thomas, Head of Finance

## Scheme Statistics and Performance

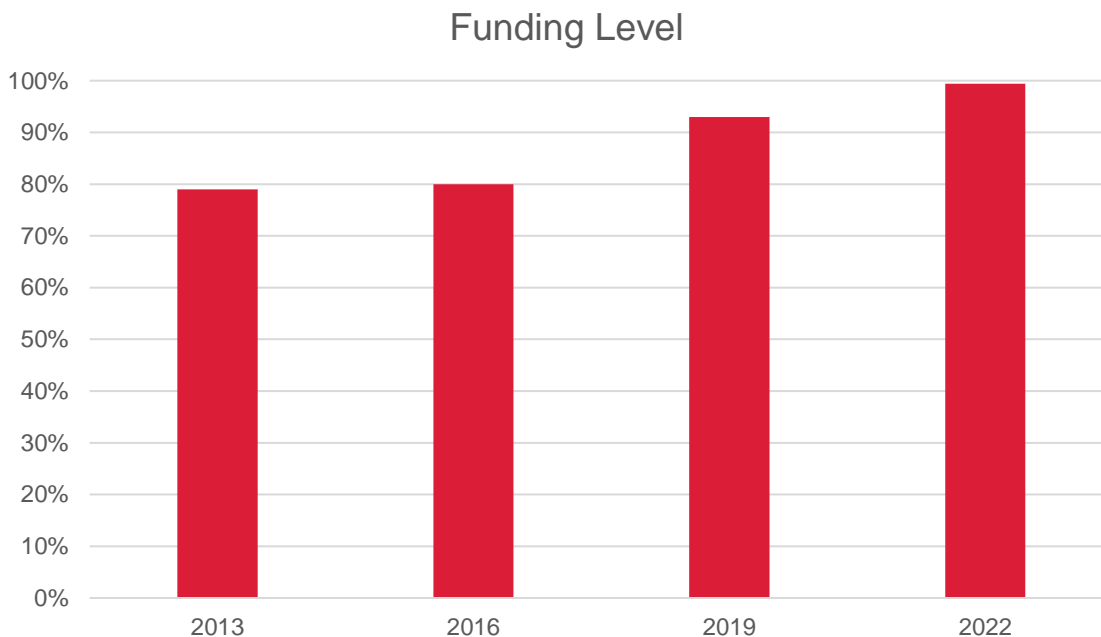
### Membership Trends

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 includes 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 2022/23

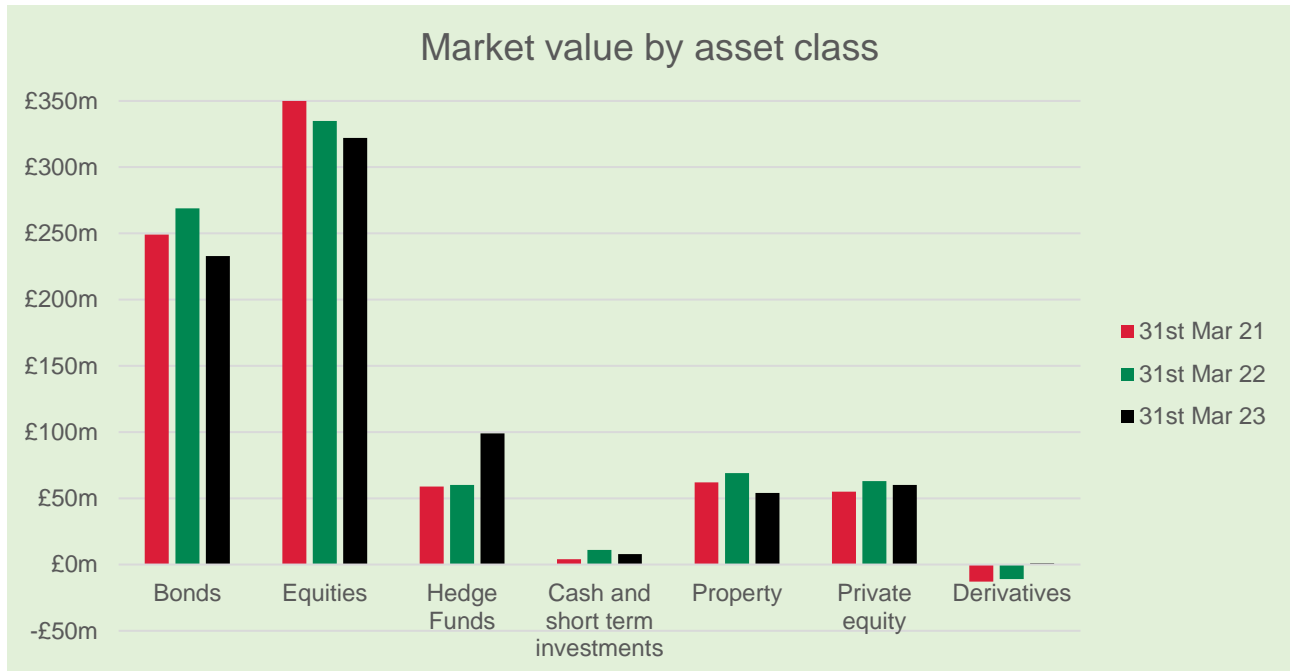
financed by contributions from employees and employers together with income from investments. Both the employees' contributions and the benefits to be provided by the scheme are fixed by the Government as set out in the Local Government Pension Scheme Regulations, leaving the employers' rate of contribution 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 actuarial valuation as at 31 March 2022 showed the assets held at the valuation date were sufficient to cover 99.4% of the accrued liabilities assessed on an ongoing basis. The long-term goal is 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.

Of the £19m capital commitment (Note 18) outstanding as at 31 March 2022, £6.1m was drawn down in 2022/23.

# Pension Fund Accounts 2022/23

## Performance Review

	<b>1 Year %</b>	<b>3 Years %</b>	<b>5 Years %</b>
Powys Pension Fund Overall Return	(4.7)	6.9	5.3
Inflation CPI	10.0	4.9	3.7
Average Earnings Index	5.8	4.8	4.1

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:

<b>2021/22</b>		<b>2022/23</b>
37%	Equities	37%
30%	Bonds	30%
10%	Property	10%
5%	Private equity	5%
8%	Hedge fund of funds	8%
10%	Infrastructure/ Private Debt	10%
<b>100%</b>	<b>Total</b>	<b>100%</b>

The market value of assets spread between the fund managers as at 31 March 2023 is shown in note 12a.



### Net Assets Statement

As at 31 March

2022 £'000		Note	2023 £'000
795,220	Investments	11	777,087
23,363	Current Assets	12	3,179
(216)	Current Liabilities	12	(395)
818,367	Net Assets as at 31 Mar		779,871

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 20.

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

2021/22 £'000		Note	2022/23 £'000
	<b>Contributions and benefits</b>		
(29,054)	Contributions receivable	4	(31,680)
(2,656)	Transfers in	5	(2,146)
(31,710)	Total income		(33,826)
28,163	Benefits payable	7	30,479
1,546	Payments on account of leavers	8	1,249
29,709	Total expenditure		31,728
(2,001)	Net (additions)/withdrawals from dealing with members		(2,098)
(1)	Other income	6	(2)
4,734	Management expenses	9	5,937
2,732	Net (additions)/withdrawals		3,837
	<b>Returns on investments</b>		
(10,798)	Investment income	10	(5,732)
(39,479)	Changes in the market value of investments	11	40,391
(50,277)	Net (profit)/loss on investments		34,659
(47,545)	Net (increase)/decrease in the fund		38,496
770,822	Opening net assets		818,367
818,367	Closing net assets		779,871

# Pension Fund Accounts 2022/23

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## Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2022/23 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 2022/23

### 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 20).

### 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 14).

### 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 as at 31 March 2023 was £60.4m (31 March 2022: £62.7m).

#### 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 2022/23

### Note 4: Contributions Receivable

2021/22 £'000	By Category	2022/23 £'000
23,248	Employers	25,389
5,806	Employees	6,291
29,054		31,680

2021/22 £'000	By Authority	2022/23 £'000
27,001	Powys County Council (administering body)	29,810
909	Scheduled bodies	1,057
1,144	Admitted bodies	813
29,054		31,680

2021/22 £'000	By Type	2022/23 £'000
19,817	Employers normal contributions	21,826
5,806	Employees normal contributions	6,291
136	Employers additional contributions	149
3,295	Employers deficit reduction contributions	3,414
29,054		31,680

### Note 5: Transfers In

2021/22 £'000		2022/23 £'000
2,656	Individual transfers from other schemes	2,146

### Note 6: Other Income

2021/22 £'000		2022/23 £'000
1	Administration	2
1		2

## Pension Fund Accounts 2022/23

### Note 7: Benefit Payable

2021/22 £'000		2022/23 £'000
24,323	Pensions	25,500
3,255	Commutations and lump sum retirement benefits	4,301
585	Lump sum death benefits	678
28,163		30,479

Benefits can be further analysed as follows:

2021/22 £'000		2022/23 £'000
24,165	Powys County Council (administering authority)	26,233
2,537	Scheduled bodies	2,702
1,461	Admitted bodies	1,544
28,163		30,479

### Note 8: Payments to and on Account of Leavers

2021/22 £'000		2022/23 £'000
72	Refunds to members leaving service	130
1,474	Individual transfers to other schemes	1,119
1,546		1,249

### Note 9: Management Expenses

2021/22 £'000		2022/23 £'000
1,261	Administration expenses	1,420
3,348	Investment management expenses (see Note 9a)	4,332
125	Oversight and governance costs	185
4,734		5,937

## Pension Fund Accounts 2022/23

### Note 9a: Investment Management Expenses

2021/22 £'000		2022/23 £'000
16	Bonds	14
21	Equities	18
1,426	Wales Pool investments	1,330
418	Pooled Property investments	350
585	Private Equity	1,004
612	Hedge Funds	1,368
90	Derivatives	99
178	Investment Advice	149
2	Custody fees	-
3,348		4,332

### Note 10: Investment Income

2021/22 £'000		2022/23 £'000
(15)	Interest on cash deposits	(26)
(513)	Pooled property investments	(493)
(10,270)	Private equity income	(5,213)
(10,798)		(5,732)



## Pension Fund Accounts 2022/23

### Note 11: Investments

	Value as at 1 Apr 22	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	269,097	34,456	(45,045)	(751)	-	(25,352)	232,405
Equities (pooled funds)	335,458	92,200	(92,201)	(605)	-	(12,828)	322,024
Property (pooled funds)	68,842	-	(4,144)	(381)	493	(10,868)	53,942
Private Equity	62,723	9,416	(8,475)	(992)	5,200	(7,500)	60,372
Hedge Fund of Funds	59,615	35,000	-	(1,367)	-	6,013	99,261
Derivatives (Options)	(11,411)	-	-	-	-	12,110	699
Cash & Short Term Investments	10,896	-	(546)	-	-	(1,966)	8,384
	795,220	171,072	(150,411)	(4,096)	5,693	(40,391)	777,087

	Value as at 1 Apr 21	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	249,566	35,967	(15,001)	(834)	-	(601)	269,097
Equities (pooled funds)	344,743	15,000	(49,812)	(674)	-	26,201	335,458
Property (pooled funds)	62,227	-	(6,574)	(429)	513	13,105	68,842
Private Equity	54,951	4,839	(14,878)	(585)	10,287	8,109	62,723
Hedge Fund of Funds	58,774	60,000	(60,884)	(631)	-	2,356	59,615
Derivatives (Options)	(13,491)	16,751	-	-	-	(14,671)	(11,411)
Cash & Short Term Investments	8,916	-	(3,000)	-	-	4,980	10,896
	765,686	132,557	(150,149)	(3,153)	10,800	39,479	795,220

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 2022/23

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 31<sup>st</sup> March 2023 is £232.5m

### 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 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.

### Note 11a: Analysis of Investments

2021/22 £'000		2022/23 £'000
	<b>Wales Pension Partnership</b>	
184,040	Bonds	163,082
127,966	Equities	131,948
5,371	Cash & Cash Equivalents	4,182
317,377		299,212
	<b>Other Investments</b>	
85,057	Bonds	69,323
207,492	Equities	190,076
68,842	Pooled property	53,942
62,723	Private equity	60,372
59,615	Hedge Funds	99,261
(11,411)	Derivatives	699
5,525	Cash & Cash Equivalents	4,202
477,843		477,875
795,220	<b>Total Investment Assets</b>	<b>777,087</b>

## Pension Fund Accounts 2022/23

### Note 11b: Investments Analysed by Fund Manager

31-Mar 22			31-Mar 23	
Market Value £'000	%		Market Value £'000	%
		<b>Investments managed by WPP asset pool</b>		
133,337	16.8	Link	132,148	17.0
184,040	23.1	Russel Investments	167,064	21.5
<b>317,377</b>			<b>299,212</b>	
		<b>Investments managed outside WPP asset pool</b>		
59,616	7.5	Adept	99,261	12.8
6,430	0.8	Aviva Investors Pensions Ltd	1,740	0.2
246,493	31.0	Blackrock Global Investors Ltd	226,000	29.1
6	0.0	CBRE Ltd	-	0.0
62,691	7.9	HarbourVest Partners LLC	60,342	7.8
15,470	1.9	Hermes Fund Managers Ltd	13,005	1.7
40,170	5.1	Insight Investment Ltd	38,299	4.9
46,935	5.9	Schroders Investment Management Ltd	39,197	5.0
32	0.0	Standard Life Investments Ltd	31	0.0
<b>477,843</b>			<b>477,875</b>	
<b>795,220</b>			<b>777,087</b>	

## Pension Fund Accounts 2022/23

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

31-Mar	22		31-Mar	23
Market Value £'000	%	Security	Market Value £'000	%
59,616	7.5	Adept Hedge Fund	99,261	12.8
49,307	6.2	Blackrock Aquila Life Currency Hedged MSCI World Idx S1	45,713	5.9
94,756	11.8	Blackrock Aquila Life Currency Hedged US Equity Idx S1	29,181	3.8
-	-	Blackrock ACS WL ESG EQ TR FD X2	50,872	6.6
-	-	Blackrock ACS WL MU ES EQ TR FD X2	39,919	5.1
40,170	5.1	Insight LDI Active 51 Fund	38,299	4.9
133,337	16.8	Link WPP Global Growth	132,148	17.0
64,487	8.1	Link WPP Multi Asset Credit	30,003	3.9
91,363	11.5	Link WPP Absolute Return Bonds	107,272	13.8
46,935	5.9	Schroder UK Real Estate Fund	39,197	5.0

The table below shows the strategic asset allocation against the actual allocation as at 31 March 2023. The Fund's asset allocation strategy is set out in the Investment strategy Statement.

Asset Class	Strategic allocation %	Actual allocation %
Bonds	30	30
Equities	37	41
Property	10	7
Private Equity	5	8
Hedge Funds	8	13
Infrastructure/ Private Debt	10	0
<b>Cash/Other</b>	0	1
	100	100

## Pension Fund Accounts 2022/23

### Note 12: Current Assets and Liabilities

2021/22 £'000	Current Assets	2022/23 £'000
145	Contributions due from employers and members	130
2,233	Cash balances	1,957
20,000	Investment debtors	134
985	Sundry debtors	958
23,363		3,179
	Current Liabilities	
(72)	Benefits payable	(156)
(144)	Sundry creditors	(239)
(216)		(395)

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 13: Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 3. Their combined contributions into the scheme totalled £22k in 2022/23 (£22.7k in 2021/22). 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 £1,185k in 2022/23 (2021/22: £1,118k) 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 £23,830k to the Fund in 2022/23 (2021/22: £21,534k) in employers' contributions and deficit recovery payments.

### Governance

The makeup of the Pensions and Investment Committee can be seen in Appendix 3.

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 2 of the Annual report.

## Pension Fund Accounts 2022/23

### Note 13a Key Management Personnel

Key management personnel are the head of finance and the pension fund manager. Their remuneration is set out below:

2021/22 £'000	Current Assets	2022/23 £'000
78.8	Short term benefits	81.0
39.5	Post-employment benefits	31.7

### Note 14: 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:

Contributions 2021/22 £'000	Market Value 31-Mar 2022		Contributions 2022/23 £'000	Market Value 31-Mar 2023
103	1,301	Prudential	399	1,533
30	799	Standard Life	47	689
-	91	Utmost Life and Pensions	-	43
133	2,191		446	2,265

### Note 15: Contingent Liabilities

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

### Note 16. Post Balance Sheet Events

There are no known post balance sheet events.

### Note 17: Capital Commitments

2021/22 £'000	Private Equity and Property mandate	2022/23 £'000
19,006	Harbourvest (Private Equity)	26,151
19,006		26,151

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 18: 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 2022/23

## Note 19: Financial Instruments

### Note 19A: Classification of financial instruments & liabilities

31 Mar	2022		31 Mar	2023
Amortised cost	Fair value through profit and loss		Amortised cost	Fair value through profit and loss
£'000	£'000	Financial Assets	£'000	£'000
		<b>Wales Pension Partnership:</b>		
	184,040	Bonds		163,082
	127,966	Equities		131,948
	5,371	Cash & short-term investments		4,182
		<b>Other Investments:</b>		
	85,057	Bonds		69,323
	207,492	Equities		190,076
	68,841	Property (pooled funds)		53,942
	62,723	Private equity		60,372
	59,616	Hedge fund of funds		99,261
	(11,411)	Derivatives (options)		699
	5,525	Cash & short-term investments		4,202
23,363		Current assets	3,179	
23,363	795,220	<b>Total financial assets</b>	3,179	777,087
		<b>Financial Liabilities</b>		
(216)		Current liabilities	(395)	
(216)			(395)	

### Note 19B: 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 where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.



## Pension Fund Accounts 2022/23

### 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 23	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	263,600	353,155	160,332	777,087
Current assets	3,179	-	-	3,179
Current liabilities	(395)	-	-	(395)
Net financial assets	266,384	353,155	160,332	779,871

Value as at 31 Mar 22	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	298,073	386,219	110,928	795,220
Current assets	23,363	-	-	23,363
Current liabilities	(216)	-	-	(216)
Net financial assets	321,220	386,219	110,928	818,367

### Reconciliation of Level 3 movements

Level 3 asset	Value as at 31 Mar 22 £'000	Purchases, sales & transfers £'000	Other movement £'000	Change in market value £'000	Value as at 31 Mar 23 £'000
Hedge funds	59,615	35,000	(1,367)	6,013	99,261
Private equity	62,723	941	4,208	(7,500)	60,372
Derivatives	(11,411)	-	-	12,110	699
Total	110,927	35,941	2,841	10,623	160,332

## Pension Fund Accounts 2022/23

### Note 20: Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2022 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 2019	31 March 2022
£'000	£'000
962,200	1,193,000

#### Assumptions used

	31 March 2019 %	31 March 2022 %
Discount rate	2.4	2.7
Inflation (CPI)	2.2	3.0
Salary increase rate	3.7	4.5

### Note 21: 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.

## Pension Fund Accounts 2022/23

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.

### Other Price Risk – Sensitivity Analysis

The following movements in market price risk are considered reasonably possible for 2023/24. 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 23 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Equities	322,024	14.98	370,263	273,785
Bonds	232,405	6.56	247,651	217,159
Property	53,942	6.66	57,535	50,349
Private Equity	60,372	26.73	76,509	44,235
Hedge Funds	99,261	4.11	103,341	95,181
Derivatives	699			
Cash & short-term investments	8,384	0.28	8,407	8,361
<b>Total Assets</b>	<b>777,087</b>		<b>863,706</b>	<b>689,070</b>

## Pension Fund Accounts 2022/23

### 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 forecast to rise this year, before levelling off and starting to fall in 2024, based on the Authorities Treasury Management advisor's latest advice. The Fund's exposure to interest rate movements as at 31 March 2022 and 31 March 2023 is set out below.

<b>As at 31 Mar 22 £'000</b>	<b>Asset Type</b>	<b>As at 31 Mar 23 £'000</b>
10,896	Cash Instruments	8,384
2,233	Cash balances	1,957
205,610	Bonds	181,156
218,739	Total	191,497

### 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 2022/23

The fund's currency exposure as at 31 March 2022 and 31 March 2023 is set out below.

As at 31 Mar 22 £'000		As at 31 Mar 23 £'000
62,723	Private equity	60,372
62,723	Total	60,372

A 6.8% 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 6.8% 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 23 £'000	Value on Increase £'000	Value on Decrease £'000
Private equity	60,372	64,465	56,279
Total	60,372	64,465	56,279

### 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 2022/23

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.

	Rating	As at 31 Mar 22 £'000	As at 31 Mar 23 £'000
<b>Bank Current Account</b>			
HSBC	AA-	1,372	581
<b>Bank Deposit Account</b>			
HSBC	AA-	861	1,376

### 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 into cash. As at 31 March 2023 the value of illiquid assets was £218.5m, which represented 28.1% of the total fund assets - (31 March 2022 - £184.7m, which represented 23.3% 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 2023 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 22: 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 2022 for 2022/23). None of the standards introduced in the 2022/23 code are expected to have a material impact on the financial statements.

### The 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 31st March 2023 under the Public Audit (Wales) Act 2004.

Powys Pension Fund financial statements comprise the fund account, the net assets statement and the related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31st March 2023, and of the amount and disposition at that date of its assets and liabilities,
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

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

#### Conclusions relating to going concern

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

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

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

# Pension Fund Accounts 2022/23

## 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.

## 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 is in accordance with the Local Government Pension Scheme Regulations 2013.

## Matters on which I report by exception

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

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

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

## Responsibilities 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;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Powys Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that



the services provided by Powys Pension Fund will not continue to be provided in the future.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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

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

My procedures included the following:

- Enquiring of management, the pension fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Powys Pension Fund 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. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition, posting of unusual journals and (add as appropriate to the audit);
- 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;
- Obtaining an understanding of related party relationships.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, about actual and potential litigation and claims;

## Pension Fund Accounts 2022/23

- reading minutes of meetings of those charged with governance and the administering authority;
- 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; and
- I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Certificate of completion of audit

I certify that I have completed the audit of the accounts of 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  
[Date]

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

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**The maintenance and integrity of Powys County Council's website is the responsibility of the Section 151 Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.**

## Statement of the Actuary for the Year Ended 31 March 2023

### Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS 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 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

### Actuarial Position

1. The valuation as at 31 March 2022 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 2022 (of £818.4M) covering 99% of the liabilities.
2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 30 March 2023 (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 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	21.3%	2.4
2024	21.3%	2.1
2025	21.3%	1.8

3. 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 changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate	4.2% p.a.
Rate of pay increases	3.8% p.a.
Rate of increase to pension accounts *	2.3% p.a.
Rate of increases in pensions in payment * (in excess of Guaranteed Minimum Pension)	2.3% p.a.

*\* In addition, a 5% uplift has been applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.*

*In addition, the discount rate and rate of increases to pensions for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities*

## Pension Fund Accounts 2022/23

*and the employer has exited the Fund) were assumed to be 1.7% p.a. and 3.4% p.a. respectively.*

The assets were valued at market value.

5. 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) S3 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 future improvements based on the 2021 Continuous Mortality Investigation Projections Model, 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	22.5	24.9
Current active members aged 45 at the valuation date	23.4	26.3

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

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. 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.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 30 March 2023. 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 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. 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 their actuarial valuation which was carried out as at 31 March 2022. 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.

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:

[Powys CC Pension Fund - 2022 Actuarial Valuation Report](#)

Aon Solutions UK Limited

**June 2023**

## Appendix 1: Pension Board

The Pension Board is the local pension board for the Pension Fund responsible for the oversight, scrutiny and where appropriate, assisting the Pensions & Investment Committee. The Board was established with effect from 1<sup>st</sup> April 2015 in accordance with the requirements of the Public Service Pensions Act 2013. The Board is governed on a day-to-day basis by its Terms of Reference which sets out the Board's remit and its membership requirements.

The Board has an independent Chair (who regularly attends Pensions & Investment Committee as an observer) together with three representatives each of Fund Employers and Scheme Members.

The Board receives support and advice from Officers of Powys County Council and may seek advice and information from external professional advisers. During 2022/23 the membership of the Board was as follows:

Mr G Moore (Independent Chair)  
Cllr W Thomas (Fund Employer Representative)  
Mr N Brinn (Fund Employer Representative)  
Mr G Evans (Fund Employer Representative)  
Mr J Byrne (Scheme Member Representative)  
Mr I Jones (Scheme Member Representative)  
Mr D Powell (Scheme Member Representative)

Over the year, the Board met on 5 occasions as detailed [here](#). These meetings were all held virtually. The attendance of these meetings is as detailed in the Pension Board report.

Throughout the year, members of the Board have also taken part in various Pension Fund training events, attended relevant online seminars, webinars and conferences.

# Pension Fund Accounts 2022/23

## Appendix 2: Key Documents

If you have any difficulty accessing the documents through the links below, please contact us using the details in Appendix 4, or visit our website at:

<https://www.powyspensionfund.org>

Investment Strategy Statement	<a href="#"><u>Forms and Publications - Powys Pension Fund</u></a>
Governance Statement	<a href="#"><u>Forms and Publications - Powys Pension Fund</u></a>
Funding Strategy Statement	<a href="#"><u>Forms and Publications - Powys Pension Fund</u></a>
Communications Policy	<a href="#"><u>Forms and Publications - Powys Pension Fund</u></a>

### Appendix 3: 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 May 2022 the membership of the Committee was as follows:

County Councillor P Lewis (Chair)  
County Councillor E A Jones (Vice Chair)  
County Councillor A Kennerley  
County Councillor C Kenyon-Wade  
County Councillor H Williams  
County Councillor D Thomas  
Mrs T Fretten (Fund Employers)  
Vacant (Scheme Members)

Officers and Advisors:

Mrs J Thomas (s.151 Officer and Head of Finance)  
Mr C Hurst (Pension Fund Manager)  
Mr K Ettles / Mr G Feane / Mr R Antrobus – Aon (Investment Consultants)  
Mrs B Durran – 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 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 2022/23

## Appendix 4: 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, Aramak Limited BUPA Care Homes, Camping & Caravanning Club, Careers Wales Powys, Celtica Development Board for Rural Wales, East Wales Valuation Tribunal 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](http://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
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## Glossary of Terms

### Accrual

An accrual is a sum (provision) shown in the accounts to cover income or expenditure for the accounting period but which was not actually paid or received as at the date of the Balance Sheet.

### Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

### Actuarial Valuation

This is when an actuary checks what the pension scheme assets are worth and compares them with the scheme's liabilities. They then work out how much the contributions from employers and members must be so that there will be enough money in the scheme when people receive their pensions.

### Additional Voluntary Contributions

An option to secure additional pension benefits by making regular payments in addition to the percentage of basic earnings payable.

### Admitted Bodies

Voluntary and Charitable bodies that fulfil certain conditions can apply to allow their employees to become members of the Local Government Pension Scheme.

### Audit

An audit is an independent examination of the Council's activities.

### Balance Sheet

This is a statement of our assets, liabilities and other balances at the date of the Balance Sheet.

### Contingent Liabilities

Contingent liabilities exist where it is probable that a future event will result in a material cost to the Council and can be estimated with reasonable accuracy.

### Creditor

A Creditor is someone we owed money to at the date of the Balance Sheet for work done, goods received or services rendered.

### Current Asset

These are short-term assets that are available for use in the following accounting year.

### Current Liabilities

These are short-term liabilities that are due for payment by the Council in the following accounting year.

### Current Service Costs (Pension)

The increase in the liability of a defined benefit pensions scheme as a result of employee's service in the current period.

### Debtor

A debtor is an organisation/individual that owes the Council money at the Balance Sheet date.

### Equities - Pooled

The Pension Fund invests in equities through unit Trusts. It has no direct investments in equities.

### Financial Reporting Standards (FRS's)

Financial regulations to be followed as set by the Accounting Standards Board.

### Financial Year

This is the accounting period. For local authorities it starts on 01 April and ends on the 31 March in the following year.

### Gilt Edged Stocks

These are investments in government or local Authority stocks. They are regarded as risk-free.

### Liability

A liability is an amount payable at some time in the future.

### Past Service Costs (Pension)

For a defined benefit pension scheme, this is the extra cost resulting from changes or improvements to the proportion of retirement benefit that relates to an employee's past service.

### Post Balance Sheet Events

Post Balance Sheet events are items that have arisen after the Balance Sheet date. The items did not occur at the time the Balance Sheet was prepared but have subsequently been discovered. To give a fair representation they may need to be disclosed.

### Scheduled Body

A Scheduled Body is an employer which is listed in the Local Government Pension Scheme (Administration) Regulations 2008 (Schedule 2, Part 1) and include county councils and district councils.

### Securities

These are investments such as stocks and bonds.



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