



Pension Fund
Annual Report & Accounts
2020/21



Contents

Chairman’s Statement	1
Scheme Management and Advisors	3
Risk Management	4
Financial Performance	4
Fund Administration Report	5
Scheme Statistics and Performance	9
Investment Policy and Performance Report	14
Post pool reporting	15
Pension Board Report	16
Appendix 1: Pension Board	24
Appendix 2: Key Documents	25
Statement of Responsibilities for the Pension Fund Accounts	26
Scheme Statistics and Performance	27
Investment Policy and Performance Report	29
Net Assets Statement	31
Pension Fund Account	31
Notes to the Pension Accounts	32
The independent auditor’s report of the Auditor General for Wales to the members of Powys County Council as administering authority for Powys Pension Fund	54
Statement of the Actuary for the Year Ended 31 March 2021	58
Appendix 3: Pensions and Investment Committee	62
Appendix 4: Fund Employers	63
Glossary of Terms	64

Chairman's Statement

A Welcome once again to the Annual Report of the Powys Pension Fund. This report covers the 12 months ending on the 31st of March 2021.

Whilst we may still be feeling the effects of the COVID 19 pandemic, the Fund has seen positive returns this year, with a growth from approximately £631 million at 31st March 2020 to approximately £765 million at 31st March 2021. This is as a result of a buoyant equity market and positive returns across all the asset classes into which the fund invests.

A large focus for the fund this year has been on Responsible Investment and Climate Change. This is an important topic that is regularly discussed and the position constantly reviewed. To this end, an assessment of the carbon and fossil fuel exposure of the Fund has been conducted, which has partially contributed to the decision to migrate some of the passive investments into a lower carbon fund and it is expected that the investments within the Wales Pension Partnership (WPP) will follow suit in the not-too-distant future.

The Fund continues to take its Environmental, Social and Governance (ESG) responsibilities seriously and will continue to monitor progress and developments in this area closely. In fact, at the time of writing this, work is progressing on the development of the Responsible Investment policy to better include climate risk within it.

The fund took the decision to continue with the equity protection that it put in place ahead of the valuation at 31st March 2019. Whilst stock markets have perhaps performed ahead of expectations over recent months, there is still a feeling that there may be a period of poorer performance on the horizon which this strategy will provide some protection against, whilst still maintaining a desired rate of return for the fund.

The administration and governance requirements placed on Pensions teams has increased significantly over the past few years and we know that there are greater challenges and expectations just over the horizon, in the form of the McCloud remedy, Good Governance and the Task Force on Climate-related Financial Disclosures (TCFD) requirements. With these current and future challenges in mind, the Fund has taken the decision to add some additional resource into the administration and governance teams, to better deal with these challenges and we look forward to seeing these met and ensure that the high standard of administration continues for scheme members and participating employers.

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 all of its Global Equity Assets into the Global Growth sub fund within the WPP.

In addition, the Fund has also successfully completed the transition of its fixed income assets into the WPP, using this as an opportunity to invest into the Multi Asset Credit sub-fund of the WPP, which was an asset class that was deemed to be desirable for the Fund. This latest transition means that the Powys Pension Fund has approximately 75% of its assets pooled, which is excellent progress towards the government's objective of pooling LGPS investments.

Annual Report 2020/21

At a local fund level, we continue to work closely with our LGPS colleagues in Wales as part of this exciting collaboration and learn from each other's experiences, through the sharing of knowledge and ideas.

As we look forward, there are still uncertainties around the recovery from the COVID-19 pandemic. As ever, the fund will keep a close eye on developments to ensure that we can act in a nimble way if required.

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

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 5 May 2018 the membership of the Committee was as follows:

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

Officers:

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

Annual Report 2020/21

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 2021 was 17.9%

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 16 years from 1 April 2020 is 25.3% of pensionable pay. In 2020-21 89.1% of contributions & 85.8% of contributions data were received in timely manner.

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 2020/21 there have been four statutory instruments (SI) issued that have changed the rules governing the LGPS.

SI2020-123 amended regulation 64, SI2020-354 amended regulation 15, 16 and Schedule 1, SI2020-502 modified regulation 103 and parts of schedule 3 and SI2020-893 amended regulation 64 again whilst introducing regulations 64A and 64B.

These SI’s primarily amended the regulations to introduce some flexibilities for participating employers at the point of exit from the Fund.

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

Annual Report 2020/21

- 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 93.3% and the Scheme Specific Data was 91.6%.

A data improvement plan was published in October 2018 and reviewed in 2020, outlining how the Fund plan to tackle the highest priority cases and improve the quality of the data that it holds and, in turn, improve the above scores for future annual returns.

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 will soon be making 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.

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.

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 31st 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 of 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 of 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 of 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 of 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.

Annual Report 2020/21

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 dedicated Pension Fund website: www.powyspensionfund.org, whilst Pension Team staff can be contacted via a dedicated email address: pensions@powys.gov.uk. A named Pension Technician is allocated to each member of the Scheme.

The Communications Policy was reviewed in 2020 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.

Scheme Statistics and Performance

Details of new pensioners

Total Retirements in 2020-21	
Ill Health	3
Early Retirements	211
Normal Retirements	21

Financial Indicators

The total number of scheme members at 31 March 2021 was 16,911.

	2020-21 Total Expenses £'000	2020-21 Cost per member £
Administration expenses	1,118	66
Investment management expenses	3,575	211
Oversight and governance costs	126	7
Total Management Expenses	4,819	284

The following data has been collected from SF3 data and compared with the other Wales Funds.

Process	2016/17	2017/18	2018/19	2019/20	2020/21
Investment Management Expenses					
Total Cost (£'000)	2,152	2,330	2,432	2,778	3,575
Total Membership (number)	16,348	16,431	16,601	16,655	16,911
Sub Cost per Membership (£)	131.64	141.81	146.50	166.80	211.40
Administration Costs					
Total Cost (£'000)	1,413	1,002	1,019	1,073	1,118
Total Membership (number)	16,348	16,431	16,601	16,655	16,911
Sub Cost per Membership (£)	86.43	60.98	61.38	64.43	66.11
Oversight and Governance Costs					
Total Cost (£'000)	126	92	151	126	126
Total Membership (number)	16,348	16,431	16,601	16,655	16,911
Sub Cost per Membership (£)	7.71	5.60	9.10	7.57	7.45
Total Cost per Member	225.78	208.39	216.98	238.80	284.96

Staffing

There are 8.8 (FTE) members of staff in the Pension Administration section. Of their work 6.2 FTE equivalents would be performing purely pension administration tasks. This

Annual Report 2020/21

calculates to a ratio of 2,728 members per member of staff performing purely pension administration tasks.

Employers in the Fund

Employer Data	Active	Ceased	Total
Scheduled Bodies	11	6	17
Admitted Bodies	15	7	22
Total	26	13	39

Further details of Fund Employers can be found in Appendix 2.

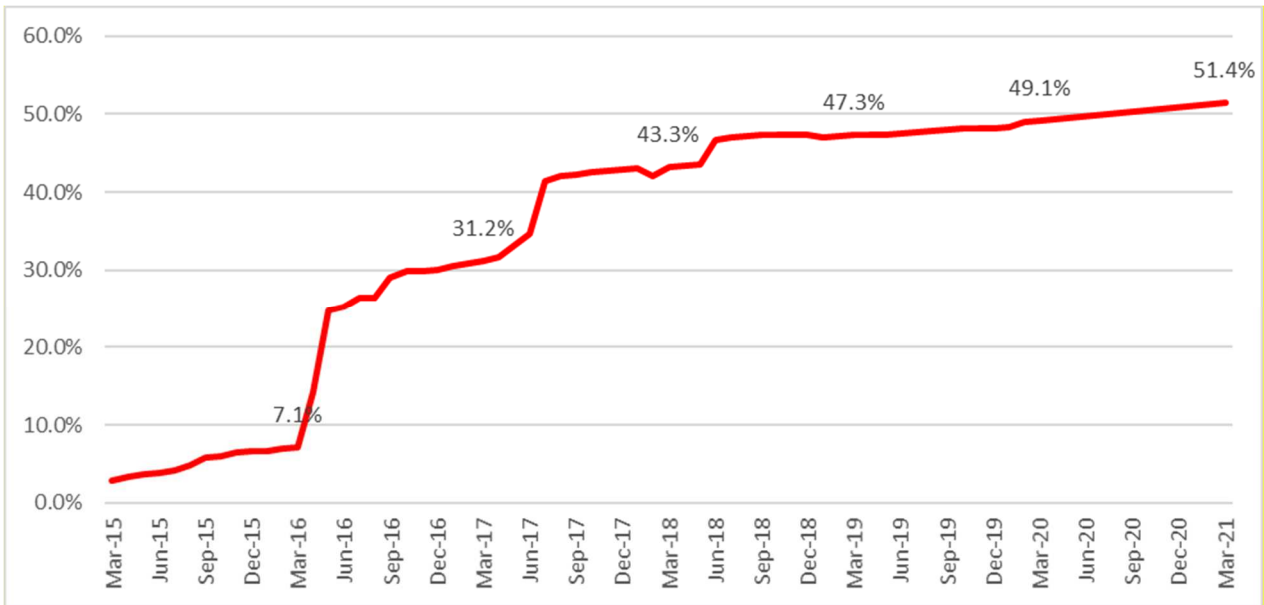
Contributions received by employers and employees

2020/21	No of Contributors as at 31 Mar	Employers Normal £	Employers Additional £	Members Normal £	Total £
Scheduled Bodies					
Brecon Beacons Nat. Pk.	107	504,061		155,644	659,705
Brecon Town Council	6	23,694	2,700	6,046	32,440
Llandrindod Wells Town Council	1	7,675		2,257	9,932
Llanidloes Burial Joint Cttee	1	3,339	1,300	775	5,414
Llanidloes Town Council	1	6,975	200	1,913	9,088
Machynlleth Town Council	5	25,266		6,357	31,623
Newtown Town Council	11	59,595		17,069	76,664
Powys County Council	5,098	16,905,166	3,407,867	4,822,060	25,135,093
Welshpool Town Council	2	5,997	11,100	1,392	18,489
Ystradfellte Community Council	1	555	150	129	834
Ystradgynlais Town Council	2	11,247	2,900	2,980	17,127
Total	5,235	17,553,570	3,426,217	5,016,622	25,996,409
Admitted Bodies					
Adapt Business Services	15	18,258		4,396	22,654
Adapt Fire Stations	7	4,513		1,051	5,564
Careers Wales	17	112,023		27,228	139,251
Freedom Leisure (Ex Pcc)	201	197,428		78,837	276,265
Freedom Leisure (Post PCC)	33	10,315		3,920	14,235
Heart Of Wales Property Services	118	338,213	25,629	106,816	470,658
Just Perfect Catering Ltd	0	858		154	1,012
Menter Maldwyn	4	21,143		5,454	26,597
Mirus-Wales Ltd	4	21,055		5,486	26,541
P.A.V.O. (Former P.R.C.)	3	18,801		4,609	23,410
Powys Dance	1	5,292		1,703	6,995
Shaw Health Care (Group)	22	124,442		27,179	151,621
Shaw Healthcare Brynhyfrydd	1	5,904		1,063	6,967
Solo Service Group	12	19,952		5,213	25,165
Theatr Brcheiniog	1	4,040		1,582	5,622
Ystradgynlais Miners Welfare & Com' Hall Trust Ltd	1	9,303		2,400	11,703
Total	440	911,540	25,629	277,091	1,214,260
Total	5,675	18,465,110	3,451,846	5,293,713	27,210,669

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
2017/18	1,999	1,307	6,283	3.14
2018/19	3,359	2,527	5,886	1.75
2019/20	3,186	2,464	5,650	1.77
2020/21	2,639	2,154	4,793	1.81

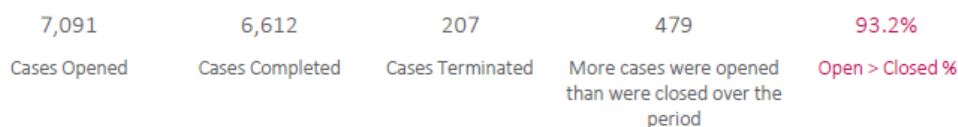
Annual Report 2020/21

Workflow Performance

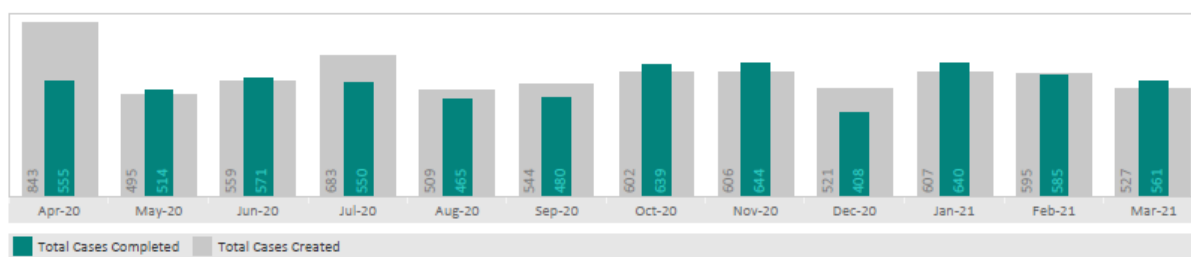
As covered in Performance Standards on page 6, the below table shows the workload placed on the Pensions Team and how many of the various requests have been fulfilled. The 'Performance' percentage is calculated by dividing the number of tasks completed in the given year by those raised in the same year. As such if some of the completed tasks were originally raised in the previous year, this may exceed 100%. The 2020/21 figure are using a different form of reporting, so there may be a slight discrepancy in the way the figures are reported in this year compared to previous years, however best efforts have been made to retain parity.

	2018/19	2019/20	2020/21
Brought Forward	1,055	1,882	2,277
Started	7,209	8,766	7,091
Completed	6,506	8,371	6,612
Carried Forward	1,758	2,277	2,756
Performance	88.25%	96.11%	93.20%

2020/21 Performance visualised:



Total Cases Opened & Total Completed



The overall performance over the 2020/21 year is at 93.20%. Whilst this is below the benchmark of 100%, once again, this primarily due to the increase in the number of leavers with deferred benefits and the aggregations arising as a result.

The following tables are also calculated using a system that is still in development, 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.

Annual Report 2020/21

Process	No. cases outstanding at start of the period	No. Cases commenced in year	No. cases completed in year	No. cases outstanding at year end	% completed in year
Deaths	23	267	244	46	84.14%
Retirements	56	325	345	36	106.20%
Deferment	981	810	418	1373	46.40%
Transfers in	4	50	54	0	114.60%
Transfers out	0	130	122	8	93.80%
Divorce quote	8	35	37	6	105.70%
Divorce actual	1	1	2	0	200.00%
Pensions Estimates	58	706	725	39	102.70%
Starters	2	839	834	7	99.40%
Aggregations	371	669	655	385	97.90%

Process		Legal Requirement (from Notification)	%
Death	Letter Acknowledging death of member	2 months	100.0%
Death	Letter notifying amount of dependant's benefits	2 months	100.0%
Deferment	Calculate & Notify Deferred Benefits	2 months	46.4%
Transfer Out	Letter detailing Transfer Out Quote	2 months	100.0%
Refund	Process and Pay a Refund	2 months	100.0%
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	99.4%

Annual Report 2020/21

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
Equity	34.6	45.4	(10.8)	12.9	13.5	(0.6)	14.6	14.3	0.3
LF WPP Global Growth Fund	49.0	38.9	10.1	n/a	n/a	n/a	n/a	n/a	n/a
BlackRock	49.3	49.3	0.0	12.9	12.9	0.0	15.0	15.0	0.0
Bonds	8.7	5.9	2.8	4.4	4.3	0.1	4.7	5.4	(0.7)
Link WPP Global credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Link WPP ARBF	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Link WPP Multi Asset Credit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Insight Index Linked Gilt	12.1	2.6	9.5	n/a	n/a	n/a	n/a	n/a	n/a
BlackRock Index Linked Gilt	2.6	2.6	0.0	3.6	3.5	0.1	7.9	6.4	1.5
Blackrock Gilts	(5.6)	(5.5)	(0.1)	2.6	2.5	0.1	1.5	2.9	(1.4)
Property Fund	3.1	2.7	0.4	2.9	2.6	0.3	4.7	4.3	0.4
Aviva	3.4	2.7	0.7	2.3	2.6	(0.3)	3.6	4.3	(0.7)
Hermes UK Property Fund	(1.2)	2.7	(3.9)	2.2	2.8	(0.6)	4.8	4.6	0.2
Schroders UK Property Fund	4.6	2.7	1.9	3.0	2.6	0.4	5.2	4.3	0.9
CBRE European Property Fund	(9.7)	1.5	(11.2)	(26.9)	2.2	(29.1)	(18.3)	2.6	(20.9)
Private Equity	7.5	40.5	(33.0)	18.7	13.9	4.8	16.9	15.3	1.6
Standard Life	(7.4)	39.1	(46.5)	8.7	14.1	(5.4)	11.4	14.9	(3.5)
HarbourVest	7.6	39.1	(31.5)	18.8	14.1	4.7	17.1	14.9	2.1
Hedge Funds	3.2	0.1	3.1	(1.3)	0.6	(1.9)	1.0	0.5	0.5
Man Alternative Risk Premia	(5.3)	0.1	(5.4)	n/a	n/a	n/a	n/a	n/a	n/a
CFM Systematic Diversified Fund	2.8	0.1	2.7	n/a	n/a	n/a	n/a	n/a	n/a
IPM Systematic Macro Fund	(6.1)	0.1	(6.2)	n/a	n/a	n/a	n/a	n/a	n/a
GCM Absolute Return	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

PF = Powys pension Fund

BM = Benchmark

ER = Excess Return

Post pool reporting

The split of investments by manager can be found in note 12b: Investments Analysed by Fund Manager, of the accounts. The value of assets transferred to the pool at 31 March 2021 is £334.9m. If the passive investments of £237.6m are included this is a total of £572.5m, 74.7% of total investments. Links to the WPP documents are below.

[WPP Annual Update 2020-21.pdf](#)

[WPP Annual Report 2020-21.pdf](#)

2019/20 £'000	WPP Oversight and Governance Costs	2020/21 £'000
67	Set-Up Costs	81
21	Host Authority Costs	19
	WPP Investment Management Expenses	
516	Fund Manager Fees	1,049

Annual Report 2020/21

Pension Board Report

1 Constitution, Representation and Attendance

- 1.1 The Powys County Council 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. The process of appointing to these new posts is underway.
- 1.3 The Board met on four occasions during the year on the following dates: 22 May. 30 September and 9 November 2020 and 5 March 2021. Each meeting was quorate, with the overall attendance level at 95%. Each meeting was held virtually, due to the Covid-19 virus.

	22.5.20	30.9.20	9.11.20	5.3.21
Gerard Moore: Independent Chair	√	√	√	√
John Byrne: Scheme Member representative	√	√	√	√
Mick Hutchinson: Scheme Member representative	√	√	√	√
Wayne Thomas: Scheme Employer representative	x	√	√	√
Nigel Brinn: Scheme Employer representative	√	√	√	√

- 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”).

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 Committee, which has a wider range of statutory responsibilities. 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 Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who 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 and has recently benefited from the presence of the s151 Officer at two of its meetings. It operates under Terms of Reference which were initially agreed by Powys County Council in January 2015 and reviewed following recommendations from the Board meeting in September 2018. Further changes, including the two extra Board members referred to in paragraph 1.2 above, were approved in September 2020. The url for current Terms of Reference is shown in paragraph 7.1.
- 2.6 In 2020/2021 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 £9,616. 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 £23,021. Board members are covered by indemnity insurance. Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs, however modest, are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 Overview

- 3.1.1. This is the sixth Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible and pro-active, as was anticipated by both TPR and the Scheme Advisory Board (SAB).
- 3.1.2. As such, Boards are in a continuous state of evolution. This has manifested itself in a number of ways. There is an increasing dialogue between Board members between formal meetings. This is especially true between the Board Chair and the Board Secretary. If anything, the virtual environment has facilitated this transition.
- 3.1.3 There are excellent communication links between the Board and the Committee, as the Board Chair now 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. It is pleasing that governance and administration are featuring more prominently on the agenda of the Committee.

Annual Report 2020/21

- 3.1.4. 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. As most of this team had experienced for some time a significant element of working from home, the majority of the risks and revised procedures associated with transitioning to home working due to the pandemic had already been identified and mitigated.
- 3.1.5 Amongst other objectives, the Board is endeavouring 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 information and data is critical. As more data flows from employers become electronic, so data quality is expected to further improve. Provision of such 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. With these objectives in mind, the Board previews draft policies, statements and procedures, primarily from the viewpoints of process, consistency and communications, and makes recommendations. In addition, the Board Chair made a presentation at the annual meeting with scheme employers.

3.2 Risk management

A separate Risk Register, which has recently been formatted to be consistent with that of the County Council, is produced for the Pension Fund. The detailed assessment of the likelihood of each risk occurring, and its impact, has been judged in the light of the existence of the Board as an additional scrutiny resource. Review of the Risk Register and seeking out any new risks is a standing item at the quarterly Board meetings. During the year, the Board made various recommendations regarding the Risk Register. These included adding temporary risks as appropriate, such as transitioning between systems, and procurement requirements relating to re-tendering for services such as actuarial, investment advice and Pension Board Chair.

3.3 The Pensions Regulator (TPR)

- 3.3.1 The Pensions Regulator examines the Local Government Pension Scheme 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 of ABS's will once again be delivered on time.
- 3.3.2 The Board, together with the Board Secretary, during the year conducts a phased review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14. Using a "red, amber, green" approach the Board identified areas in which the Fund can make improvements. When examining improvements that have been achieved, the Board seeks assurance that the evidence supports the revised assessment levels.

- 3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any fines it levies, and reflects these in agenda setting. Powys was not in the LGPS cohort of 10 Funds visited by TPR. At its 22 May 2020 meeting the Board gave detailed consideration to the TPR's Cohort Review, paying particular attention to data protection and cyber security. The Board established an Action Log following its consideration of the Cohort Review. Like officers, elected and co-opted Members, the Board Chair completed the Council's examination in these areas.
- 3.3.4 The Board continues to be mindful of TPR's Scheme Annual Return, which is a statutory, factual document to be returned within a set deadline, with which Powys complied. The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". Using 2018/2019 data as a baseline, TPR will be measuring and seeking annual improvements in data quality. Whilst data quality for Powys is at a high level, nevertheless a Data Improvement Plan is in place, which the Board will continue to monitor as a key part of its Work Programme.
- 3.3.5 In addition to the statutory Scheme Annual Return, the Pensions Manager and Board Chair also completed the Regulator's voluntary annual survey, which is more subjective than the Annual Return. The Board made recommendations to TPR which it believes would improve the quality and consistency of responses.

3.4 Reporting and Recording Breaches

The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a standing item on its quarterly agenda. During 2020/2021 none of the 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 of material significance to TPR in a timely manner. Recorded breaches included several cases of non-payment of frozen refunds for which the Fund does not have all necessary information to enable payments to be made.

3.5 Scheme Advisory Board (SAB)

- 3.5.1. The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings. Increasingly the SAB is issuing guidance and recommending good practice to pension funds.
- 3.5.2. The SAB commissions periodic surveys of local pension boards. A new survey is expected imminently.

3.6 Review of Investment Issues

Whilst the vast majority of the Board's work programme 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

Annual Report 2020/21

responsible investment, as reflected in the Fund's Investment Strategy Statement. The revised UK Stewardship Code 2020 will be considered on a future agenda.

- 3.6.2. The Board continues to receive updates on progress by the Wales Pensions Partnership on the pooling of assets. The eight Chairs of the Wales pension boards participate in half yearly engagement meetings with the host authority and external providers. The relationship between the responsible investment policy of the Wales Pool compared with that of Powys is monitored.
- 3.6.3 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.
- 3.6.4 The Board receives reports on cash flow predictions, which help the Board gain assurances that pensions and lump sums will be paid on time, and that there is sufficient flexibility in its cash management arrangements to avoid any forced fire-sale of assets.

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. Following a previous Board recommendation, all relevant documents are listed and easily accessible on the Fund's website.
- 3.7.2 The Board pays particular 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 Covid-19 and pandemics generally

All four meetings in 2020/2021 were held remotely, and reviewed the on-going challenges of the pandemic to both the Fund and scheme employers, including the wide-ranging changes necessary to ensure the safe and timely continuation of paying monthly pensions, lump sums, and providing accurate and timely data. The Board had previously recommended that "pandemics" be added to the Risk Register, including the impact on scheme employers.

3.9 Engagement with s151 Officer

As Board Chair, I hold as a minimum 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 McCloud rectification proposals, the Exit Cap, Guaranteed Minimum Pension and other anticipated legislative changes and guidance.

3.10 Membership of the Board

As indicated in paragraph 1.2, the Board consists of three scheme member and three scheme employer representatives, plus an Independent Chair. Appointments are in the process of being made to the two new posts. Succession planning is in being undertaken, regarding both the voting member roles and the Independent Chair. Hitherto there has only been one change of membership since the Board's inception.

4. Ensuring Compliance with Regulatory Deadlines.

- 4.1 An increasing 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 new legislation and regulations. 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 requirements include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR and publication of the Pension Fund Annual Report and Accounts. Notwithstanding the practical difficulties caused by the pandemic, the Fund complied with the relevant deadlines, and followed guidance issued by TPR regarding work priorities.

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 such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference, and are encouraged to attend at least two such seminars or conferences each year.
- 5.3 In addition Board members are invited to internal training events provided for Committee members which are often targeted to specific events.
- 5.4 A communications log is maintained of all relevant guidance and regulatory 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 these changes.
- 5.5 Further, easily available training opportunities are being presented via a significant increase in the availability of webinars, due to the UK lockdown. This was particularly true of the excellent investment training courses provided on-line by the Wales Pensions Partnership and available for Board members to participate.

Annual Report 2020/21

5.6 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 2021/2022 will include the following activity areas:

- Pension Fund Annual Report and Accounts
- administration, including Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
- audit and risk management, including the Risk Register
- a self-assessment by the Pension Board of its own performance
- governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14 and its proposed successor, the Single Modular Code of Practice.
- preparation for implementing the MHCLG guidance on the Good Governance Project
- training, including preparation for the Triennial Valuation March 2022
- investments, including on-going developments with the Wales Pooling Partnership: implications for Administering Authorities
- overview progress on responsible investments and the Stewardship Code
- monitoring external deadlines such as issuing Annual Benefit Statements
- member communications
- on-going reviews of cyber security, GDPR 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

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 opens up the possibility of arranging additional short but focussed on-line meetings to supplement the scheduled quarterly meetings, should business so require.

7. Public accountability

7.1 As well as being open to the public, the [agendas and minutes](#) and the Board's [Terms of Reference](#) are available on the Authority's & pension Fund's websites.

Thanks.

I wish to thank 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 and Investments Committee, the s151 Officer, and in particular the Cabinet Manager for Legal, Scrutiny and Democratic Services and staff, plus the Council's IT staff, for their timely and effective support during this uniquely-challenging year. 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.

A handwritten signature in black ink, appearing to read 'Gerard Moore', with a long horizontal flourish extending to the right.

Gerard Moore
Independent Chair
Powys County Council LGPS Local Pension Board

16 June 2021

Annual Report 2020/21

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 1st 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 two representatives each of Fund Employers and Scheme Members. On the 24th of September, at the meeting of the full Council, the Council voted to move some amendments to the Powys Local Pension Board Terms of Reference which increased the numbers of Scheme Member and Employer representatives from two to three each. Work is continuing to recruit into these newly created positions.

The Board receives support and advice from Officers of Powys County Council and may seek advice and information from external professional advisers. During 2020/21 the membership of the Board was as follows:

Mr G Moore (Independent Chair)
Cllr W Thomas (Fund Employer Representative)
Mr N Brinn (replacing Mr G Petty as a Fund Employer Representative)
Mr J Byrne (Scheme Member Representative)
Mr M Hutchison (Scheme Member Representative)
Employer Representative – Vacant
Scheme Member Representative – Vacant

Over the year, the Board met on 4 occasions (22 May, 30 September, 9 November 2020 and 5 March 2021.). 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.

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	<u>Forms and Publications - Powys Pension Fund</u>
Governance Statement	<u>Forms and Publications - Powys Pension Fund</u>
Funding Strategy Statement	<u>Forms and Publications - Powys Pension Fund</u>
Communications Policy	<u>Forms and Publications - Powys Pension Fund</u>

Pension Fund Accounts 2020/21

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 18 November 2021

Governance and Audit Committee Chairman

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 consistent.
- 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 2020/21.

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 2021 and its income and expenditure for the year then ended.

Signature:  Date 18 November 2021

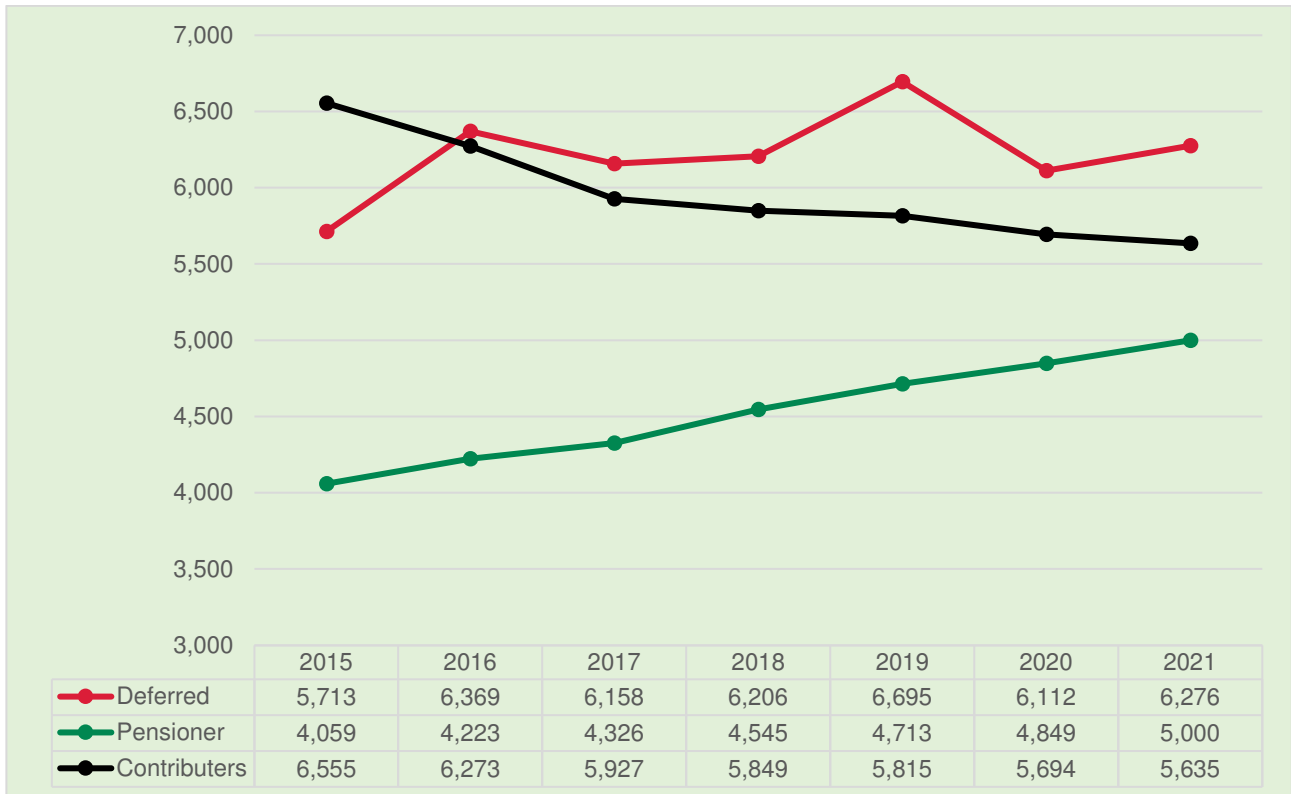
J Thomas, Head of Finance

Pension Fund Accounts 2020/21

Scheme Statistics and Performance

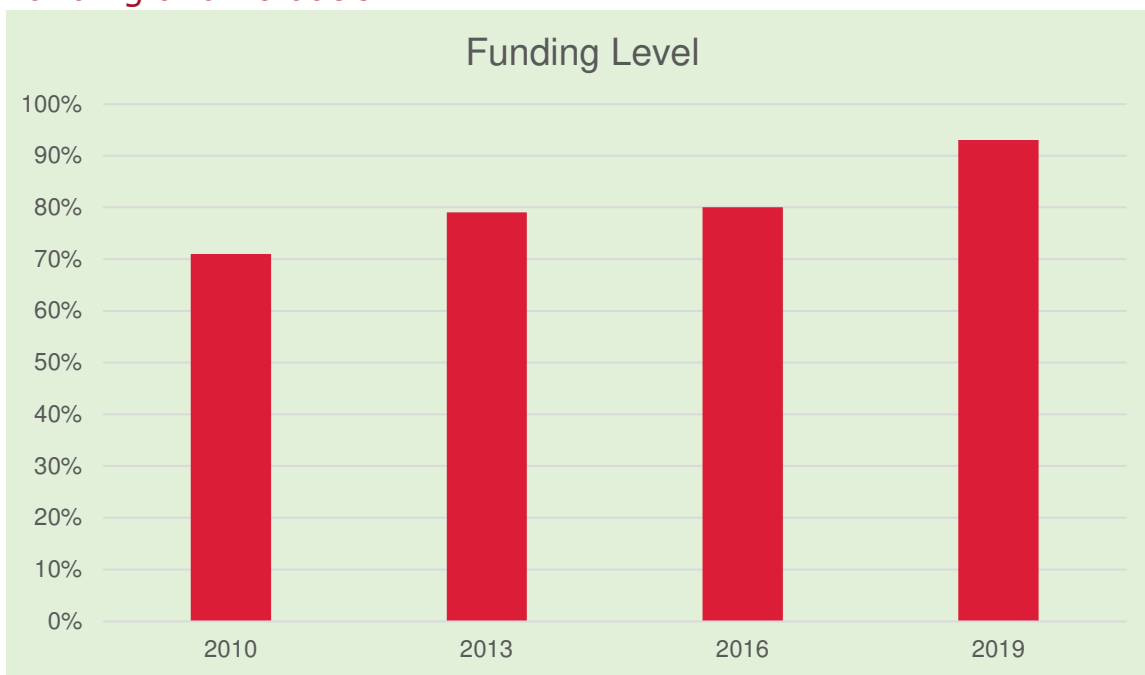
Membership Trends

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



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

Funding and Valuation



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

Pension Fund Accounts 2020/21

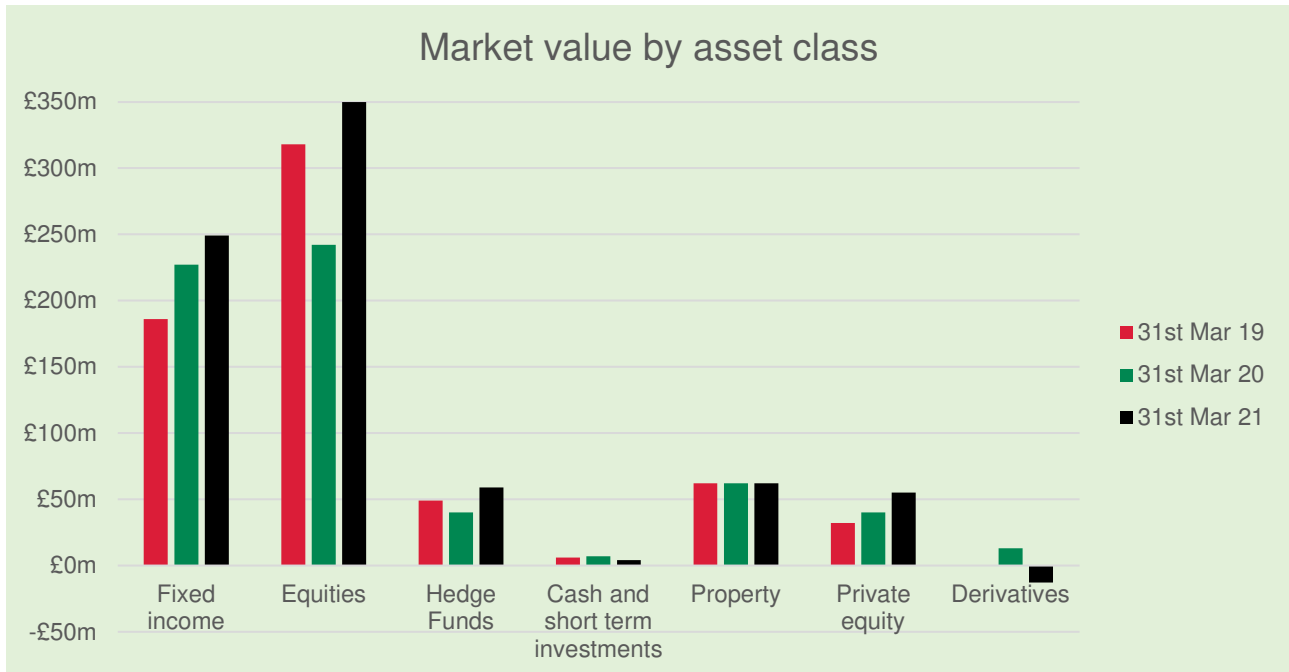
financed by contributions from employees and employers together with income from investments. Both the employees' contributions and the benefits to be provided by the scheme are fixed by the Government as set out in the Local Government Pension Scheme Regulations, leaving the employers' rate of contribution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

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

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

Investment Policy and Performance Report

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



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

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

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

Pension Fund Accounts 2020/21

Performance Review

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

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

The strategic asset allocation is as follows:

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

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

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

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

Pension Fund Accounts 2020/21

Net Assets Statement

As at 31 March

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

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

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

Pension Fund Account

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

Pension Fund Accounts 2020/21

Notes to the Pension Accounts

Note 1: Basis of Preparation.....	33
Note 2: Accounting Policies.....	33
Note 3: Critical Judgements in Applying Accounting Policies	35
Note 4: Contributions Receivable	36
Note 5: Transfers In	36
Note 6: Other Income	36
Note 7: Benefit Payable	37
Note 8: Payments to and on Account of Leavers	37
Note 9: Management Expenses	37
Note 9a: Investment Management Expenses.....	38
Note 10: Investment Income.....	38
Note 11: Taxes on Income.....	38
Note 12: Investments.....	39
Note 13: Current Assets and Liabilities	44
Note 14: Related Party Transactions.....	44
Note 15: Additional Voluntary Contributions (AVC).....	45
Note 16: Contingent Liabilities	45
Note 17: Post Balance Sheet Events	45
Note 18: Capital Commitments.....	45
Note 19: Stock Lending	45
Note 20: Financial Instruments.....	46
Note 21: Actuarial Present Value of Promised Retirement Benefits	48
Note 22: Nature and Extent of Risks Arising from Financial Instruments	49
Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted	53

Note 1: Basis of Preparation

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

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

Note 2: Accounting Policies

Contributions and Benefits

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

Transfers to other Schemes

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

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

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

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

Refunds to Leavers

These are accounted for when due.

Investment Management Expenses

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

Investment Income

Interest income

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

Distributions from pooled funds

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

Change in Market Value

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

Pension Fund Accounts 2020/21

Foreign Currency Transactions

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

Valuation of Assets

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

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

Taxation

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

Financial Assets

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

Financial Liabilities

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

Actuarial present value of promised retirement benefits

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

Pension Fund Accounts 2020/21

Administrative expenses

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

Contingent Liabilities

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

Additional Voluntary Contributions (AVC's)

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

Note 3: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

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

Pension Fund liability

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

Pension Fund Accounts 2020/21

Note 4: Contributions Receivable

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

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

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

Note 5: Transfers In

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

Note 6: Other Income

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

Pension Fund Accounts 2020/21

Note 7: Benefit Payable

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

Benefits can be further analysed as follows:

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

Note 8: Payments to and on Account of Leavers

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

Note 9: Management Expenses

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

Pension Fund Accounts 2020/21

Note 9a: Investment Management Expenses

Reclassified

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

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

Note 10: Investment Income

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

Note 11: Taxes on Income

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

Pension Fund Accounts 2020/21

Note 12: Investments

Reclassified

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

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

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

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

Pension Fund Accounts 2020/21

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

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

Derivatives Summary

Investment Objective

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

Investment Policy

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

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

The manager may take both long and short positions.

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

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

Pension Fund Accounts 2020/21

Note 12a: Analysis of Investments

Reclassified

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

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

Pension Fund Accounts 2020/21

Note 12b: Investments Analysed by Fund Manager

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

Pension Fund Accounts 2020/21

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

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

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

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

Pension Fund Accounts 2020/21

Note 13: Current Assets and Liabilities

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

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

Note 14: Related Party Transactions

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

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

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

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

Governance

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

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

Councillors are required to declare their interest at each meeting.

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

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

Pension Fund Accounts 2020/21

Note 15: Additional Voluntary Contributions (AVC)

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

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

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

Note 16: Contingent Liabilities

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

Note 17. Post Balance Sheet Events

There are no known post balance sheet events.

Note 18: Capital Commitments

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

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

Note 19: Stock Lending

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

Pension Fund Accounts 2020/21

Note 20: Financial Instruments

Note 20A: Classification of financial instruments & liabilities

Reclassified

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

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

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

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

Level 1

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

Pension Fund Accounts 2020/21

Level 2

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

Level 3

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

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

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

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

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

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

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

Reconciliation of Level 3 movements

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

Pension Fund Accounts 2020/21

Note 21: Actuarial Present Value of Promised Retirement Benefits

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

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

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

Assumptions used

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

McCloud / Sargeant Judgement

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

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

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

Equalisation and indexation of Guaranteed Minimum Pensions

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

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

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

Risk and Risk Management

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

Market Risk

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

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

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

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

Other Price Risk

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

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

Pension Fund Accounts 2020/21

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 2020/21. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

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

Pension Fund Accounts 2020/21

Interest Rate Risk

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

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

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

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

Currency Risk

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

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

Pension Fund Accounts 2020/21

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

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

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

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

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

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

Credit Risk

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

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

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

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

Pension Fund Accounts 2020/21

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

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

Liquidity risk

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

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

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

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

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

Refinancing risk

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

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

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

Pension Fund Accounts 2020/21

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

Opinion on financial statements

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

In my opinion the financial statements:

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

Basis of opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

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

Matters on which I report by exception

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

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

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing as

Pension Fund Accounts 2020/21

applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

My procedures included the following:

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

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

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

Pension Fund Accounts 2020/21

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
29 November 2021

24 Cathedral Road
Cardiff
CF11 9LJ

Pension Fund Accounts 2020/21

Statement of the Actuary for the Year Ended 31 March 2021

Introduction

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

Actuarial Position

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

Plus

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

Plus

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

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

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

Pension Fund Accounts 2020/21

2022	21.6	3.4
------	------	-----

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

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

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

The assets were valued at market value.

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

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

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

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be

Pension Fund Accounts 2020/21

reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

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

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

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

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

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

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

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

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

▪ **Goodwin**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced

Pension Fund Accounts 2020/21

in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

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

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

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

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

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

Aon Solutions UK Limited

May 2021

Pension Fund Accounts 2020/21

Appendix 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 5 May 2018 the membership of the Committee was as follows:

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

Officers and Advisors:

Mrs J Thomas (s.151 Officer and Head of Finance)
Mr C Hurst (Pension Fund Manager)
Mrs R Pinder / Mr S Mayne / Mr G Feane / Mr R Antrobus – Aon (Investment Consultants)
Mrs B 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 2020/21 year, members of the Committee have also taken part in various Pension Fund training and attended relevant online seminars, webinars and conferences, covering a wide range of topics such as investments, governance, responsible investment, Climate change and specific asset classes.

Pension Fund Accounts 2020/21

Appendix 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, BUPA Care Homes, Camping & Caravanning Club, Careers Wales Powys, Development Board for Rural Wales, Elite Supported employment Agency, Freedom Leisure, Heart of Wales Property Services Ltd Just Perfect Catering Ltd. Kier Facilities Services Ltd. MENCAP, Menter Maldwyn, Mirus Wales, Powys Association of Voluntary Organisations, Powys Dance, Powys Valuation Panel, Presteigne Shire Hall Museum Trust, Shaw Healthcare Ltd. Solo Service Group, Theatr Brycheiniog, Wales European Centre, Ystradgynlais Miners Welfare & Community,

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

Contact List and Communications

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

Pension Scheme, Fund Governance & Other Matters

Pension Fund Manager Mr C Hurst 01597 827640

Pensions Administration Manager Mrs M Price 01597 827642

Accounts & Investment

Pension Fund Accounts Mr D Paley 01597 826042

Pension Fund Accounts 2020/21

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 % 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.

Pension Fund Accounts 2020/21

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 employees 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.

Securities

These are investments such as stocks and bonds.

Pension Fund Accounts 2020/21