



Pension Fund  
Annual Report & Accounts  
2021/22





## Contents

|   |           |
|---|-----------|
| <b>Chairman’s Statement</b> .....   | <b>1</b>  |
| <b>Scheme Management and Advisors</b> .....   | <b>2</b>  |
| <b>Risk Management</b> .....  | <b>3</b>  |
| <b>Financial Performance</b> .....  | <b>3</b>  |
| <b>Fund Administration Report</b> .....   | <b>4</b>  |
| <b>Scheme Statistics and Performance</b> .....  | <b>8</b>  |
| <b>Investment Policy and Performance Report</b> .....   | <b>14</b> |
| <b>Wales Pension Partnership (WPP)</b> .....  | <b>15</b> |
| <b>Pension Board Report</b> .....   | <b>23</b> |
| <b>Statement of Responsibilities for the Pension Fund Accounts</b> .....  | <b>31</b> |
| <b>Scheme Statistics and Performance</b> .....  | <b>32</b> |
| <b>Investment Policy and Performance Report</b> .....   | <b>34</b> |
| <b>Net Assets Statement</b> .....   | <b>36</b> |
| <b>Pension Fund Account</b> .....   | <b>36</b> |
| <b>Notes to the Pension Accounts</b> .....  | <b>37</b> |
| <b>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</b> ..... | <b>60</b> |
| <b>Statement of the Actuary for the Year Ended 31 March 2022</b> .....  | <b>64</b> |
| <b>Appendix 1: Pension Board</b> .....  | <b>68</b> |
| <b>Appendix 2: Key Documents</b> .....  | <b>69</b> |
| <b>Appendix 3: Pensions and Investment Committee</b> .....  | <b>70</b> |
| <b>Appendix 4: Fund Employers</b> .....   | <b>71</b> |
| <b>Glossary of Terms</b> .....  | <b>72</b> |

## Chairman's Statement

I am pleased once again to be able to present to you the Annual Report of the Powys Pension Fund. This report covers the 12 months ending on the 31<sup>st</sup> of March 2022.

This has been a challenging year once again in respect of investments, rising energy bills, inflation and of course the terrible events that are currently taking place in the Ukraine.

Starting with that final point, our thoughts are with the Ukrainian people in this difficult time. The Local Government Pension Scheme pension funds in Wales took rapid action related to investments held within Russia, in response to the invasion of the Ukraine. The exposure that the Powys Fund had to investments within Russia before the invasion, was small at 0.11% of the total value of the fund. The decision was taken, with colleagues throughout Wales, to disinvest from these investments as soon as is practically possible and a [press release](#) was made to indicate such.

Once again, a significant focus for the fund this year has been on Responsible Investment and Climate Change. Work has commenced on preparation for the Taskforce for Climate Related Financial Disclosures (TCFD) and some assets were transferred into a Paris Aligned sub-fund within the Wales Pension Partnership (WPP) during the year. I am pleased that the WPP has now become a [signatory](#) to the UK Stewardship Code, which demonstrates our commitment to this journey into a lower carbon economy.

The Fund continues to take its Environmental, Social and Governance (ESG) responsibilities seriously and will continue to monitor progress and developments in this area closely.

The fund has again taken the decision to continue with the equity protection that it put in place ahead of the valuation at 31<sup>st</sup> March 2019, ahead of the latest Valuation at 31<sup>st</sup> March 2022. This strategy will help the fund manage fluctuations in the stock market, whilst still maintaining a desired rate of return for the fund.

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 and Fixed Income investments into sub-funds within the WPP. This accounts for approximately 70.9% of assets within the Fund now being invested in pooled investment vehicles and we look forward to working with the WPP on the next set of asset classes that will become available.

As we look forward, there will be strong focus on the triennial valuation work and the administration team will be busy working on cleansing data for that. There are also other projects on the horizon like the McCloud remedy, that will place a significant requirement on the administration team, but we will look to take advantage of technology to help where we can.

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

Cllr Peter Lewis  
Chair of the Pensions and Investment Committee

# Annual Report 2021/22

## 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                         |

## 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 2022 was 8.7%

At the last valuation it was determined that the aggregate Employer total contribution rate required to restore the funding ratio to 100% using a recovery period of 16 years from 1 April 2020 is 25.3% of pensionable pay. In 2021-22, 87.2% of contributions & 84.0% of contributions data were received in timely manner.

# Annual Report 2021/22

## 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 2021/22 there have been two statutory instruments (SI) issued that have changed the rules governing the LGPS. These are SI2021-272 and SI2021-112. More information on those Statutory Instruments can be found [here](#).

### The Pensions Regulator

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

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

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

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

against the regulator's specified criteria. In the latest return, the scores for the quality of Common Data was 97.7% and the Scheme Specific Data was 91.9%.

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

### Altair

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

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

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

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

### Performance Standards

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

#### New Active Members

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

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



# Annual Report 2021/22

## Existing Active Members

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

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

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

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

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

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

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

## Deferred Members

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

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

## Communications

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

Powys Pension Fund communicates with all stakeholders, as defined in specific legislation. Communications are increasingly distributed via electronic means, with all documents available on the dedicated Pension Fund website: [www.powyspensionfund.org](http://www.powyspensionfund.org), whilst Pension Team staff can be contacted via a dedicated email address: [pensions@powys.gov.uk](mailto:pensions@powys.gov.uk). A named Pension Technician is allocated to each member of the Scheme.

The Communications Policy was reviewed in 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.

# Annual Report 2021/22

## Scheme Statistics and Performance

### Details of new pensioners

| <b>Total Retirements in 2021-22</b> |     |
|-------------------------------------|-----|
| Ill Health                          | 4   |
| Early Retirements                   | 198 |
| Normal Retirements                  | 42  |

### Financial Indicators

The total number of scheme members at 31 March 2022 was 17,910.

|                                  | <b>2021-22<br/>Total Expenses<br/>£'000</b> | <b>2021-22<br/>Cost per member<br/>£</b> |
|----------------------------------|---|--|
| Administration expenses          | 1,261                                       | 70                                       |
| Investment management expenses   | 3,348                                       | 187                                      |
| Oversight and governance costs   | 125   | 7  |
| <b>Total Management Expenses</b> | <b>4,734</b>                                | <b>264</b>                               |

The following data has been collected from SF3 data

| <b>Process</b>                        | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Investment Management Expenses</b> |                |                |                |                |                |
| Total Cost (£'000)                    | 2,330          | 2,432          | 2,778          | 3,575          | 3,348          |
| Total Membership (number)             | 16,431         | 16,601         | 16,655         | 16,911         | 17,910         |
| Sub Cost per Membership (£)           | 141.81         | 146.50         | 166.80         | 211.40         | 186.93         |
| <b>Administration Costs</b>           |                |                |                |                |                |
| Total Cost (£'000)                    | 1,002          | 1,019          | 1,073          | 1,118          | 1,261          |
| Total Membership (number)             | 16,431         | 16,601         | 16,655         | 16,911         | 17,910         |
| Sub Cost per Membership (£)           | 60.98          | 61.38          | 64.43          | 66.11          | 70.41          |
| <b>Oversight and Governance Costs</b> |                |                |                |                |                |
| Total Cost (£'000)                    | 92             | 151            | 126            | 126            | 125            |
| Total Membership (number)             | 16,431         | 16,601         | 16,655         | 16,911         | 17,910         |
| Sub Cost per Membership (£)           | 5.60           | 9.10           | 7.57           | 7.45           | 6.98           |
| <b>Total Cost per Member</b>          | <b>208.39</b>  | <b>216.98</b>  | <b>238.80</b>  | <b>284.96</b>  | <b>264.32</b>  |

## Annual Report 2021/22

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

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

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

### Staffing

There are 13.8 (FTE) members of staff in the Pension Administration section. Of their work 10.7 FTE equivalents would be performing purely pension administration tasks. This calculates to a ratio of 1,674 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  | 14     | 7      | 21    |
| Total            | 25     | 13     | 38    |

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

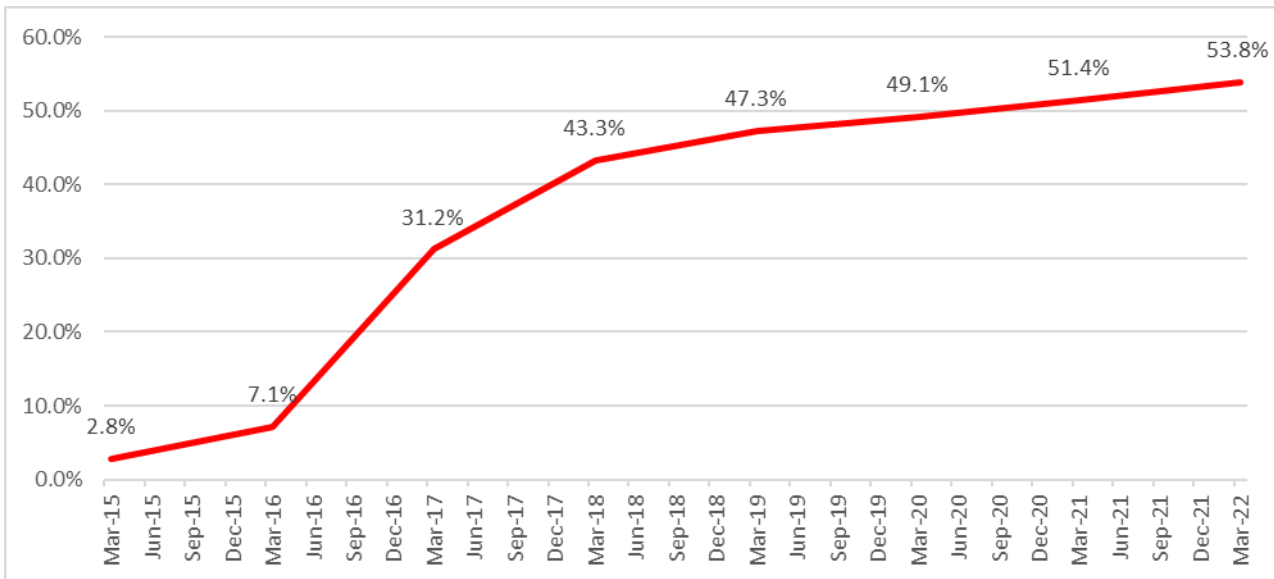
# Annual Report 2021/22

## Contributions received by employers and employees

| 2021/22   | No of Contributors as at 31 Mar | Employers Normal | Employers Additional | Members Normal | Total      |
|---|---------------------------------|------------------|----------------------|----------------|------------|
|   |                                 | £                | £                    | £              | £          |
| <b>Scheduled Bodies</b>                           |                                 |                  |                      |                |            |
| Brecon Beacons Nat. Pk.                           | 117                             | 538,455          | -                    | 164,167        | 702,622    |
| Brecon Town Council                               | 6                               | 28,253           | 2,800                | 7,290          | 38,343     |
| Llandrindod Wells Town Council                    | 1                               | 8,036            | -                    | 2,363          | 10,399     |
| Llanidloes Burial Joint Cttee                     | 1                               | 3,441            | 1,300                | 838            | 5,579      |
| Llanidloes Town Council                           | 1                               | 7,153            | 210                  | 1,962          | 9,325      |
| Machynlleth Town Council                          | 6                               | 21,411           | -                    | 5,377          | 26,788     |
| Newtown Town Council                              | 11                              | 61,381           | -                    | 17,769         | 79,150     |
| Powys County Council                              | 5,248                           | 18,258,015       | 3,412,259            | 5,330,685      | 27,000,959 |
| Welshpool Town Council                            | 1                               | 4,449            | 11,500               | 1,033          | 16,982     |
| Ystradfellte Community Council                    | 1                               | 555              | 150                  | 129            | 834        |
| Ystradgynlais Town Council                        | 2                               | 12,439           | 3,018                | 3,268          | 18,725     |
| Total   | 5,395                           | 18,943,588       | 3,431,237            | 5,534,881      | 27,909,706 |
| <b>Admitted Bodies</b>                            |                                 |                  |                      |                |            |
| Adapt Business Services                           | 7                               | 14,109           | -                    | 3,393          | 17,502     |
| Adapt Fire Stations                               | 5                               | 4,472            | -                    | 1,022          | 5,494      |
| Careers Wales                                     | 19                              | 119,335          | -                    | 29,924         | 149,259    |
| Freedom Leisure (Ex Pcc)                          | 138                             | 201,461          | -                    | 80,719         | 282,180    |
| Freedom Leisure (Post PCC)                        | 47                              | 16,540           | -                    | 6,282          | 22,822     |
| Heart Of Wales Property Services                  | 49                              | 320,074          | -                    | 102,051        | 422,125    |
| Menter Maldwyn                                    | 3                               | 21,470           | -                    | 5,562          | 27,032     |
| Mirus-Wales Ltd                                   | 4                               | 21,371           | -                    | 5,752          | 27,123     |
| P.A.V.O. (Former P.R.C.)                          | 3                               | 18,595           | -                    | 4,557          | 23,152     |
| Powys Dance                                       | -                               | 3,872            | -                    | 1,246          | 5,118      |
| Shaw Health Care (Group)                          | 18                              | 106,124          | -                    | 23,964         | 130,088    |
| Shaw Healthcare Brynhyfrydd                       | 1                               | 5,708            | -                    | 1,028          | 6,736      |
| Solo Service Group                                | -                               | 6,318            | -                    | 1,626          | 7,944      |
| Theatr Brcheiniog                                 | 1                               | 4,187            | -                    | 1,733          | 5,920      |
| Ystradgynlais Miners Welfare & Com Hall Trust Ltd | 1                               | 9,302            | -                    | 2,399          | 11,701     |
| Total   | 296                             | 872,938          | -                    | 271,258        | 1,144,196  |
| Total   | 5,691                           | 19,816,526       | 3,431,237            | 5,806,139      | 29,053,902 |

## My Powys Pension Engagement

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



## Website traffic

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

| Financial Year | Visits | New Visits | Page Views | Avg. Pages per Visit |
|----------------|--------|------------|------------|----------------------|
| <b>2018/19</b> | 3,359  | 2,527      | 5,886      | 1.75                 |
| <b>2019/20</b> | 3,186  | 2,464      | 5,650      | 1.77                 |
| <b>2020/21</b> | 2,639  | 2,154      | 4,793      | 1.81                 |
| <b>2021/22</b> | 2,648  | 2,026      | 4,674      | 1.77                 |

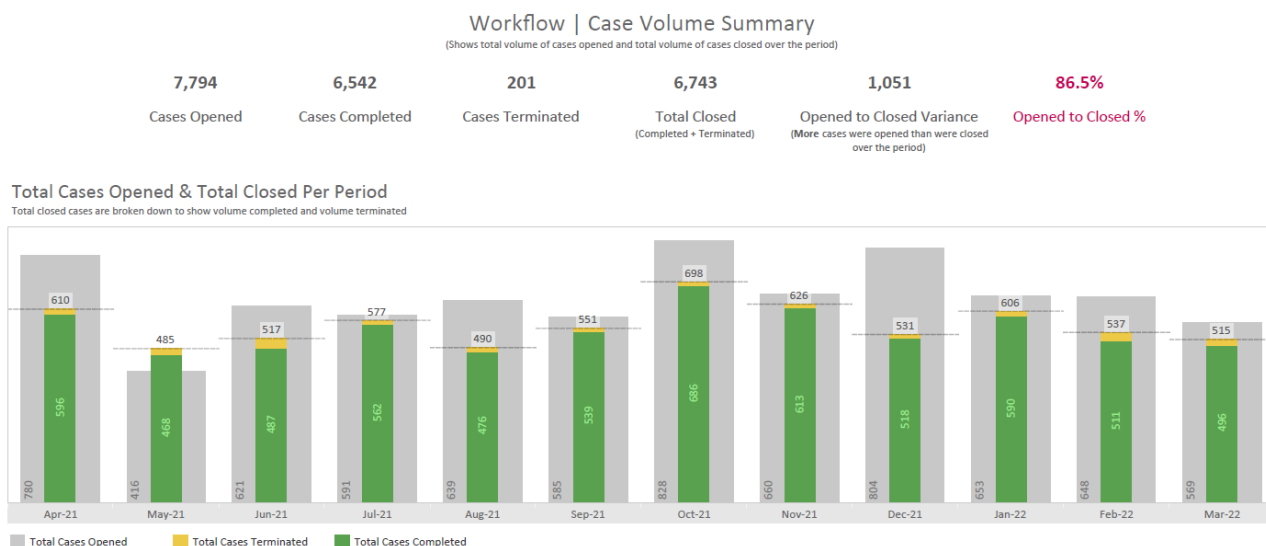
# Annual Report 2021/22

## Workflow Performance

As covered in Performance Standards on page 5, 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%.

|                        | 2019/20       | 2020/21       | 2021/22       |
|------------------------|---------------|---------------|---------------|
| <b>Brought Forward</b> | 1,882         | 2,277         | 2,756         |
| <b>Started</b>         | 8,766         | 7,091         | 7,794         |
| <b>Completed</b>       | 8,371         | 6,612         | 6,542         |
| <b>Carried Forward</b> | 2,277         | 2,756         | 3,305         |
| <b>Performance</b>     | <b>96.11%</b> | <b>93.20%</b> | <b>86.50%</b> |

2021/22 Performance visualised:



The overall performance over the 2021/22 year is at 86.50%. 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 2021/22

| Process           | No. cases outstanding at start of period | No. Cases commenced in year | No. cases completed in year | No. cases outstanding at year end | % completed in year |
|-------------------|--|-----------------------------|-----------------------------|-----------------------------------|---------------------|
| Deaths            | 23                                       | 226                         | 232                         | 17                                | 102.65              |
| Retirements       | 56                                       | 332                         | 317                         | 71                                | 95.50               |
| Deferment         | 981                                      | 696                         | 215                         | 1,462                             | 30.90               |
| Transfers In      | 4  | 64                          | 36                          | 32                                | 56.30               |
| Transfers Out     | 0  | 180                         | 149                         | 21                                | 88.30               |
| Divorce Quote     | 8  | 18                          | 16                          | 10                                | 88.90               |
| Divorce Actual    | 1  | 2                           | 2                           | 1                                 | 100.00              |
| Pension Estimates | 58                                       | 691                         | 678                         | 58                                | 98.10               |
| Starters          | 2  | 1,109                       | 1,107                       | 4                                 | 99.80               |
| Aggregations      | 371                                      | 812                         | 659                         | 524                               | 81.20               |

| Process        |   | Legal Requirement (from Notification) | % achieved |
|----------------|---|---------------------------------------|------------|
| Death          | Letter Acknowledging death of member  | 2 months                              | 95.7       |
| Death          | Letter notifying amount of dependant's benefits   | 2 months                              | 93.9       |
| Deferment      | Calculate & Notify Deferred Benefits  | 2 months                              | 76.3       |
| Transfer Out   | Letter detailing Transfer Out Quote   | 2 months                              | 83.8       |
| Refund         | Process and Pay a Refund  | 2 months                              | 98.9       |
| Divorce Quote  | Letter detailing cash equivalent value and other benefits   | 3 months                              | 100        |
| Divorce Actual | Letter detailing implementation of cash equivalent value and application of pension sharing order | 3 months                              | 100        |
| Joiners        | Send notification of joining the LGPS to scheme member  | 2 months                              | 99.3       |



# Annual Report 2021/22

## Investment Policy and Performance Report

### Asset Class and Manager Performance

| Asset Class/ Manager        | 1 Year |       |        | 3 Year |       |        | 5 Year |      |        |
|-----------------------------|--------|-------|--------|--------|-------|--------|--------|------|--------|
|                             | % PF   | % BM  | % ER   | % PF   | % BM  | % ER   | % PF   | % BM | % ER   |
| <b>Equity</b>               | 7.7    | 12.0  | (4.3)  | 13.2   | 14.6  | (1.4)  | 10.1   | 11.8 | (1.7)  |
| LF WPP Global Growth Fund   | 2.6    | 12.4  | (9.8)  | 12.4   | 13.4  | (1.0)  | -      | -    | -      |
| BlackRock                   | 11.0   | 11.0  | -      | 13.9   | 13.9  | -      | 11.0   | 11.1 | (0.1)  |
| <b>Bonds</b>                | 0.7    | 2.0   | (1.3)  | 3.7    | 3.5   | 0.2    | 2.9    | 3.1  | (0.2)  |
| Link WPP Global credit      | (4.3)  | (5.1) | 0.8    | -      | -     | -      | -      | -    | -      |
| Link WPP ARBF               | 0.4    | 2.1   | (1.7)  | -      | -     | -      | -      | -    | -      |
| Link WPP Multi Asset Credit | (2.6)  | 4.1   | (6.7)  | -      | -     | -      | -      | -    | -      |
| Insight Index Linked Gilt   | 11.5   | 4.8   | 6.7    | 9.2    | 3.3   | 5.9    | -      | -    | -      |
| BlackRock Index Linked Gilt | 4.9    | 4.8   | 0.1    | 3.3    | 3.3   | 0.0    | 3.3    | 3.2  | 0.1    |
| Blackrock Gilts             | (5.0)  | (5.1) | 0.1    | (0.4)  | (0.5) | 0.1    | 0.0    | 0.5  | (0.5)  |
| <b>Property Fund</b>        | 22.5   | 20.9  | 1.6    | 8.4    | 7.4   | 1.0    | 8.1    | 7.4  | 0.7    |
| Aviva                       | 38.8   | 20.9  | 17.9   | 12.6   | 7.4   | 5.2    | 10.7   | 7.4  | 3.3    |
| Hermes UK Property Fund     | 24.1   | 21.7  | 2.4    | 7.6    | 7.6   | 0.0    | 8.3    | 7.8  | 0.5    |
| Schroders UK Property Fund  | 18.7   | 20.9  | (2.2)  | 7.2    | 7.4   | (0.2)  | 7.6    | 7.4  | 0.2    |
| CBRE European Property Fund | (71.0) | 9.0   | (80.0) | (51.1) | 4.3   | (55.4) | (36.8) | 3.7  | (40.5) |
| <b>Private Equity</b>       | 87.2   | 12.7  | 74.5   | 39.3   | 14.3  | 25.0   | 26.1   | 11.4 | 14.7   |
| Standard Life               | (24.8) | 15.9  | (40.7) | (5.1)  | 15.1  | (20.2) | 2.1    | 11.8 | (9.7)  |
| HarbourVest                 | 87.7   | 15.9  | 71.8   | 39.6   | 15.1  | 24.5   | 26.2   | 11.8 | 14.4   |
| <b>Hedge Funds</b>          | 2.7    | 0.2   | 2.5    | (1.5)  | 0.4   | (1.9)  | 0.6    | 0.5  | 0.1    |
| Adept                       | -      | -     | -      | -      | -     | -      | -      | -    | -      |

PF = Powys pension Fund

BM = Benchmark

ER = Excess Return

Adept were appointed as a Hedge Fund of Funds manager for the Fund in October 2021, replacing the previous hedge fund managers, no performance is yet attributable to them for the timeframes given.

## Wales Pension Partnership (WPP)

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

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

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

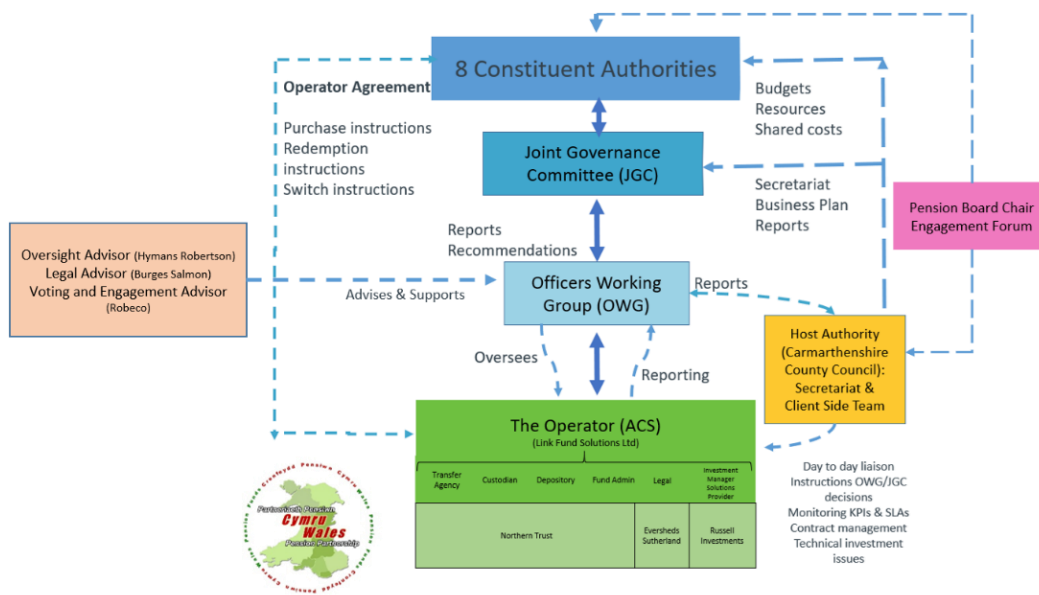
Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions,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

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

### **Governance**

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

# Annual Report 2021/22



The eight Constituent Authorities of the WPP are:

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

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

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

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

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

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

- Direct engagement – attendance at annual committee meetings

- Indirect engagement – with CAs collectively, through the JGC and OWG

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

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

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

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

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

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



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

## Annual Report 2021/22

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

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

### **Risk**

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

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

### **Training**

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

### **Pooling progress to date**

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP have made significant progress towards delivering on this objective. The launching of WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has now pooled 72% of assets.

## Annual Report 2021/22

As at 31 March 2022, WPP has total assets worth £23.1bn, £16.6bn of which sits within the pool, see breakdown below:

| Asset Class   | Managed by          | Launch Date    | 31 March 2022 £000 | %          |
|---|---------------------|----------------|--------------------|------------|
| Global Growth Equity Fund                           | Link Fund Solutions | February 2019  | 3,303,494          | 14.3       |
| Global Opportunities Equity Fund                    | Russell Investments | February 2019  | 3,387,940          | 14.7       |
| UK Opportunities Equity Fund                        | Russell Investments | September 2019 | 730,278            | 3.2        |
| Emerging Markets Equity Fund                        | Russell Investments | October 2021   | 464,615            | 2          |
| Global Credit Fund                                  | Russell Investments | July 2020      | 757,659            | 3.3        |
| Global Government Bond Fund                         | Russell Investments | July 2020      | 507,273            | 2.2        |
| UK Credit Fund                                      | Link Fund Solutions | July 2020      | 574,224            | 2.5        |
| Multi-Asset Credit Fund                             | Russell Investments | July 2020      | 723,184            | 3.1        |
| Absolute Return Bond Fund                           | Russell Investments | September 2020 | 509,605            | 2.2        |
| Passive Investments                                 | BlackRock           | March 2016     | 5,599,927          | 24.2       |
| Investments not yet pooled                          |                     |                | 6,534,711          | 28.3       |
| <b>Total Investments across all 8 Pension Funds</b> |                     |                | <b>23,092,910</b>  | <b>100</b> |

Investment assets split between Powys Pension Fund and WPP

|   | 31 March 2022 £000 | %    |
|---|--------------------|------|
| Global / UK Opportunities / Emerging Markets Equities | 133,337            | 16.8 |
| Global Credit / Global Government / UK Credit...      | 184,040            | 23.1 |
| Passive Equities                                      | 207,492            | 26.1 |
| Passive Bonds   | 39,001             | 4.9  |
| Investments not yet pooled                            | 231,350            | 29.1 |

## Annual Report 2021/22

|                         |         |     |
|-------------------------|---------|-----|
| Total Investment Assets | 795,220 | 100 |
|-------------------------|---------|-----|

The above table summarises Powys Pension Fund's investment in the WPP, together with the assets that remain under the direct oversight of the Fund as at 31 March 2022.

### Pooling costs

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

The Host Authority and External Advisor costs, the running costs are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to Powys Pension Fund for the financial year ending 31 March 2022 was £134.7k, see table below.

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

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

| <b>2020/21<br/>£000</b> | <b>WPP pooling costs</b> | <b>2021/22<br/>£000</b> |
|-------------------------|--------------------------|-------------------------|
| 19.2                    | Host Authority Costs *   | 23.4                    |
| 80.7                    | External Advisor Costs * | 111.3                   |
| <b>99.9</b>             | <b>Total</b>             | <b>134.7</b>            |

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

## Asset Allocation and Performance

| Asset Category               | Opening Value  |             | Closing Value  |             | Performance (1 year) | Local / Target |
|------------------------------|----------------|-------------|----------------|-------------|----------------------|----------------|
|                              | £000s          | %           | £000s          | %           | %                    | %              |
| <b>Pooled Assets</b>         |                |             |                |             |                      |                |
| Equities Passive             | 195,302        | 25.6        | 207,492        | 26.1        | 11.4                 | 11.3           |
| Equities Active              | 154,812        | 20.2        | 133,337        | 16.8        | 2.6                  | 12.4           |
| Fixed Income Active          | 180,053        | 23.5        | 184,040        | 23.1        | (1.4)                | 1.7            |
| Fixed Income Passive         | 42,304         | 5.5         | 39,001         | 4.9         | (0.7)                | (0.8)          |
| <b>Total</b>                 | <b>572,471</b> | <b>74.8</b> | <b>563,870</b> | <b>70.9</b> |                      |                |
| <b>Assets not yet pooled</b> |                |             |                |             |                      |                |
|                              | <b>193,215</b> | <b>25.2</b> | <b>231,350</b> | <b>29.1</b> | <b>30.9</b>          | <b>13.5</b>    |
| <b>Total</b>                 | <b>765,686</b> | <b>100</b>  | <b>795,220</b> | <b>100</b>  |                      |                |

## Objectives 2022/23

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

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

A transition timetable has been provided below:

| Investment Portfolio          | Timeline for Launch / Implementation |
|-------------------------------|--------------------------------------|
| Sustainable Equities          | Launch due by the end of 2022        |
| Private Debt / Infrastructure | Launch due before the end of 2022/23 |
| Private Equity                | Launch scheduled for early 2023/24   |



## Annual Report 2021/22

During 2021/22, the WPP published its first annual Stewardship Report and has been accepted as a signatory to the 2020 UK Stewardship Code. During 2022/23 the WPP hopes to enhance its approach as a responsible investor further with the establishment of an engagement framework, enhancing reporting in accordance with the requirements of the UK Stewardship Code and the Taskforce on Climate-Related Financial disclosure (TCFD) and to continue reviewing existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs.

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

### **Securities Lending**

Securities lending commenced in March 2020. Revenue is split on a 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. Total revenue of LF Wales Revenue during 2021/22 was £1,296,016 (gross) / £1,101,659 (net) with £430,743,792 out on loan as at 31 March 2022.

More detailed information can be found in WPP's Annual Return which is published on the WPP website - <https://www.walespensionpartnership.org/>

## Pension Board Report

### 1 Constitution, Representation and Attendance

- 1.1 The Powys County Council Local Government Pension Scheme (LGPS) Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. As such, the Board is not a Committee of the Council.
- 1.2 It held its first meeting on 31 July 2015. From inception it consisted of two representatives of the Scheme employers, and two representatives of the Scheme members, all of whom are voting members. There is also a non-voting independent Chair. In September 2020, Powys County Council approved the addition of two extra Board members, one each from scheme employers and from scheme members, who were appointed during 2021/2022.
- 1.3 The Board met on five occasions during the year on the following dates: 8 July, 24 September, 15 December 2021, 14 February and 1 March 2022. The meeting of 14 February was inquorate. All meetings were held virtually.

|   | 8.7.21 | 24.9.21 | 15.12.21 | 14.2.22 | 1.3.22 |
|---|--------|---------|----------|---------|--------|
| Gerard Moore: Independent Chair               | √      | √       | √        | √       | √      |
| John Byrne: Scheme Member representative      | √      | √       | √        | √       | x      |
| Mick Hutchinson: Scheme Member representative | x      | x       | x        | x       | x      |
| David Powell: Scheme Member representative    | n/a    | n/a     | x        | √       | √      |
| Wayne Thomas: Scheme Employer representative  | √      | √       | x        | x       | x      |
| Nigel Brinn: Scheme Employer representative   | √      | x       | x        | x       | √      |
| Graham Evans: Scheme Employer representative  | n/a    | n/a     | √        | x       | √      |

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

### 2 Functions and Operation of the Board

## Annual Report 2021/22

- 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 Department of Levelling Up, Housing and Communities (DLUHC) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, 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 benefited from the presence of the s151 Officer at some of its meetings. [The url for current Terms of Reference is shown in paragraph 7.1.](#)
- 2.5 In 2021/2022 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 £19k. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council. There was a specific budget of £25k. Board members are covered by indemnity insurance.

### 3 Detailed Work of the Board

#### 3.1 Overview

- 3.1.1. This is the seventh Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible and pro-active, as had been anticipated by both TPR and the Scheme Advisory Board (SAB).
- 3.1.2. Boards are in a continuous state of evolution. There is increasing dialogue between Board members between formal meetings, especially between the Board Chair and the Board Secretary, including updates of bulletins from TPR, SAB, DLUHC, Local Government Association (LGA) and other relevant sources.
- 3.1.3 There are efficient 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. I believe the Triangle of Trust between Committee,

Officers and Board is firmly established. It is pleasing that governance and administration, which are the primary focus of the Board, now feature more prominently on the agenda of the Committee.

- 3.1.4. As indicated above, 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 for some time experienced a significant element of working from home, the majority of the risks and revised procedures associated with home working due to the pandemic had already been identified, mitigated and managed.
- 3.1.5 Amongst other objectives, the Board endeavours to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. The Board reviews the quarterly administration performance reports, and requests greater detail where necessary. Where appropriate, these reviews are extended to ensure that all scheme employers are similarly complying, as their complete, accurate, timely and secure supply of data is critical. As Chair, I attend the annual meeting with scheme employers. Increasingly, data flows from employers are becoming electronic, so data quality is expected to further improve. Provision of quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. With these objectives in mind, the Board previews draft policies, statements and procedures, primarily from the viewpoints of process, consistency and communications, and makes appropriate recommendations. During 2021/22 the Board helped shape the Compliments and Complaints Policy, for approval by the Committee.

### 3.2 Risk management

A separate Risk Register, 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. An oversight review of the Risk Register, and consideration of any new risks, is a standing item at the quarterly Board meetings. The Risk Register is being streamlined to help better manage related areas of risk. During the year, the Board made various recommendations regarding the Risk Register. These included adding staff recruitment and retention, including staff training policies, as an additional risk. With anticipated legislation regarding responsible investment, the Board recommended that potential non-compliance with the guidance under the Task Force for Climate Related Financial Disclosures (TCFD) be added as a risk. The Board also reviewed the contracts register.

### 3.3 The Pensions Regulator (TPR)

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

## Annual Report 2021/22

- 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 (COP 14), which is specifically for public services pension schemes. Using a "red, amber, green" approach the Board identifies 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. It is expected that TPR's Single Modular Code, to replace COP 14, will be implemented later in 2022, and the transition will represent a significant challenge for officers and the Board.
- 3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any action it takes. TPR pays particular attention to data protection and cyber security. Like officers, elected and co-opted Members, the Board members also complete the Council's annual examination in these areas, which is seen as good practice.
- 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. TPR will be measuring and seeking annual improvements in data quality. Using 2018/2019 data as a baseline, the return shows percentages for completeness and accuracy of "common data" and "scheme specific data". The most recent submission from Powys indicates figures of 98% for common data and 92% for scheme specific data. It is important to note that the Fund depends on timely submission of accurate data from all employers. Whilst data quality for Powys is at a high level, nevertheless a Data Improvement Plan remains in place, which the Board continues to monitor as a key part of its Work Programme.

### 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 quarterly standing item. During 2021/2022 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 (those 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. The SAB produces an Annual Report encompassing data for all LGPS Funds in England and Wales, which is made available to Board members.
- 3.5.2. The SAB commissions periodic surveys of local pension boards. A new survey is expected imminently.

### 3.6 Government Actuaries Department (GAD)

3.6.1 The Board was pleased that no areas of concern were expressed by GAD in its Section 13 review of the assumptions within the Triennial Valuation 2019.

## 3.7 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.

3.7.1 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement.

3.7.2. The Board continues to receive updates on progress by the Wales Pensions Partnership on the pooling of assets. The Chairs of each Pension Committee make up the Joint Governance Committee of WPP, which also meets quarterly. Hence the demands on each Committee Chair have significantly increased.

3.7.3 The eight Chairs of the Wales Pension Boards participate in half yearly engagement meetings with the host authority and external providers. WPP has successfully applied for approval under the Stewardship Code 2020 (the Powys Fund is now considering its plans for its individual application). The relationship between the responsible investment policy of the Wales Pool compared with that of Powys is monitored. The Board was pleased that a scheme member observer has been appointed to the WPP Joint Committee.

3.7.4 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise, or in membership of the Committee, which is responsible for decisions on assets of some £795m, consisting of multiple and increasingly complex and diverse asset classes. Consequently there are significant training requirements for all Committee Members, which include training on understanding and monitoring liabilities. From a risk viewpoint, it is important that, where possible, the most appropriate appointments are made to the Committee, including the Chair.

3.7.5 The Board receives reports on cash flow predictions. These help the Board gain assurances that pensions and lump sums will be paid on time, and that cash management arrangements are sufficiently flexible both to avoid any forced fire-sale of assets and to have cash available when called up by the investment managers.

## 3.8 Scheme documents

3.8.1 The Board examines the range of scheme documents expected to be in place, and with which Board members are expected to be conversant. All relevant documents are listed and easily accessible on the Fund's website.

3.8.2 The Board pays regard to those standard letters and documents which are sent to scheme members and has made recommendations regarding their content. Particular focus is given to the ever-present dangers of pension scams.

## 3.9 Engagement with s151 Officer

## Annual Report 2021/22

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

### **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 Board members are invited to internal training events provided for Committee members which are often targeted to specific issues or asset classes.
- 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 the associated changes.
- 5.5 Further, easily available training opportunities were presented via the availability of webinars during UK lockdown, and subsequently. This was particularly true of the excellent investment training courses provided on-line by the Wales Pensions Partnership and made available for Board members to participate.
- 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 2022/2023 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 DLUHC guidance on the Good Governance Project
  - training, to include the Triennial Valuation March 2022 and the Wales Pension Partnership (WPP)
  - investments, including on-going developments at WPP and 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, minutes and the Board's Terms of Reference are available on the Authority's website at the following address:  
<https://www.powypensionfund.org/powys-pension-fund/about-us/forms-and-publications/>

### 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 team, plus the Council's IT staff, for their timely and effective support during these challenging times. Finally I pay tribute to the Pensions Administration Team for their sterling determination to ensure benefits were paid accurately and in a timely way, notwithstanding the difficulties presented.



# Annual Report 2021/22



Gerard Moore  
Independent Chair  
Powys County Council LGPS Local Pension Board

20 June 2022

## Pension Fund Accounts 2021/22

### 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: 2022

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 prudent.
- Complied with the Code of Practice.

The Section 151 Officer has also:

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

#### Certificate of the Section 151 Officer on the Accounts of Powys County Council Pension Fund for 2021/22.

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 2022 and its income and expenditure for the year then ended.

Signature: \_\_\_\_\_ Date of authorisation for issue 24 November 2022

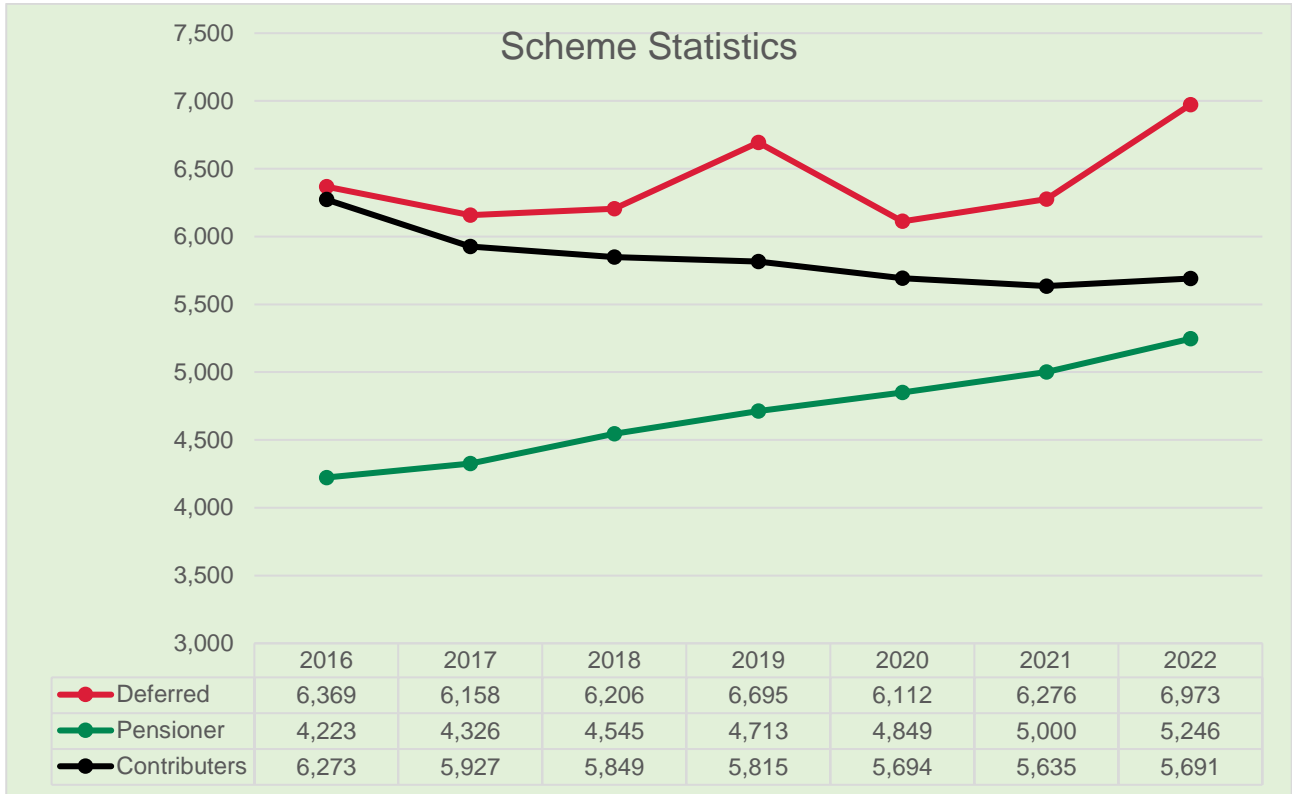
J Thomas, Head of Finance

# Pension Fund Accounts 2021/22

## Scheme Statistics and Performance

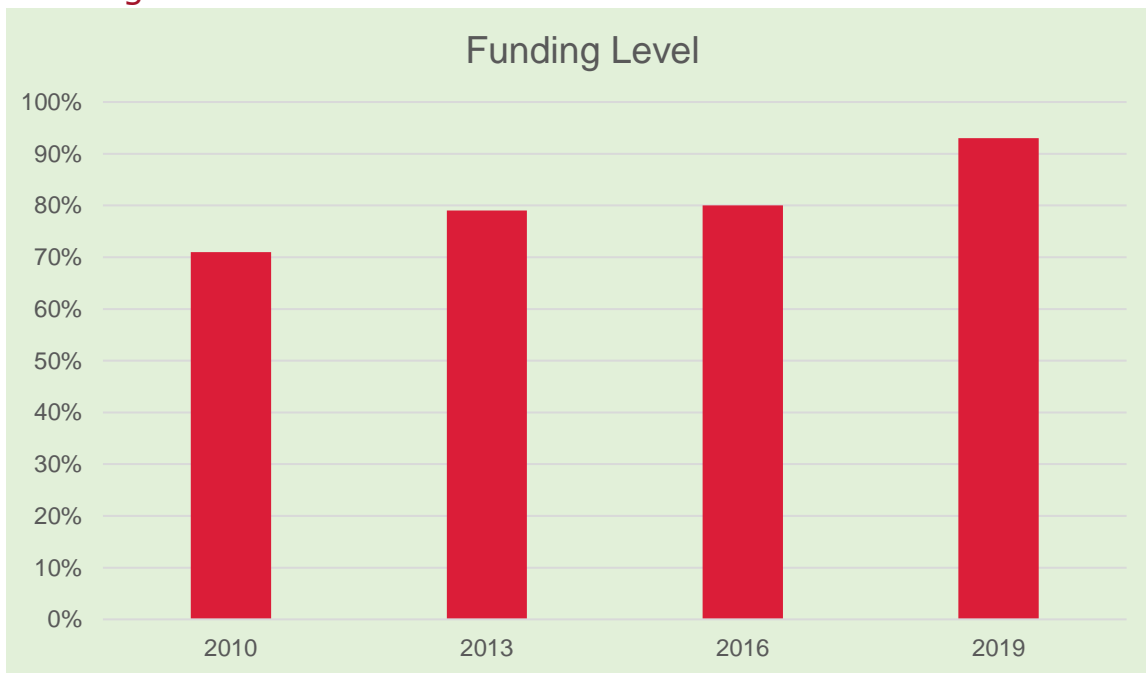
### Membership Trends

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



The total for deferred members includes frozen refunds.

### Funding and Valuation



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

## Pension Fund Accounts 2021/22

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.

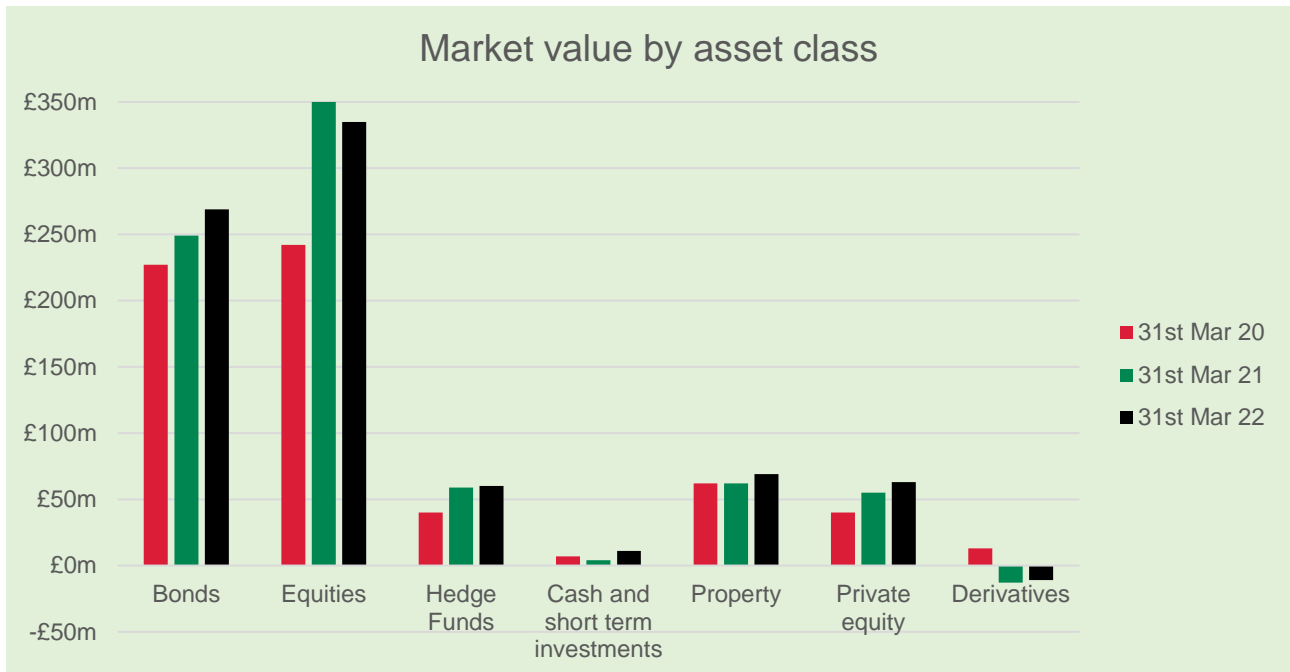
The employers' rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are required by law with a major review being undertaken every third year. The statement of the actuary can be seen on page 34.

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.

# Pension Fund Accounts 2021/22

## Investment Policy and Performance Report

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



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

Of the £20.1m capital commitment (Note 18) outstanding as at 31 March 2021, £4.8m was drawn down in 2021/22.

# Pension Fund Accounts 2021/22

## Performance Review

|                                   | 1 Year<br>% | 3 Years<br>% | 5 Years<br>% |
|-----------------------------------|-------------|--------------|--------------|
| Powys Pension Fund Overall Return | 8.7         | 8.3          | 7.6          |
| Inflation CPI                     | 4.0         | 2.1          | 2.3          |
| Average Earnings Index            | 6.4         | 3.9          | 3.4          |

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:

| 2020/21     |                              | 2021/22     |
|-------------|------------------------------|-------------|
| 39%         | Equities                     | 37%         |
| 36%         | Bonds                        | 30%         |
| 10%         | Property                     | 10%         |
| 5%          | Private equity               | 5%          |
| 10%         | Hedge fund of funds          | 8%          |
| -           | Infrastructure/ Private Debt | 10%         |
| <b>100%</b> | <b>Total</b>                 | <b>100%</b> |

The market value of assets spread between the fund managers as at 31 March 2022 is shown in note 12a.

## Pension Fund Accounts 2021/22

### Net Assets Statement

As at 31 March

| 2021<br>£'000 |                         | Note | 2022<br>£'000 |
|---------------|-------------------------|------|---------------|
| 765,686       | Investments             | 12   | 795,220       |
| 5,851         | Current Assets          | 13   | 23,363        |
| (715)         | Current Liabilities     | 13   | (216)         |
| 770,822       | Net Assets as at 31 Mar |      | 818,367       |

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

Reclassified

| 2020/21<br>£'000 |   | Note | 2021/22<br>£'000 |
|------------------|---|------|------------------|
|                  | <b>Contributions and benefits</b>                     |      |                  |
| (27,211)         | Contributions receivable                              | 4    | (29,054)         |
| (3,614)          | Transfers in  | 5    | (2,656)          |
| (30,825)         | Total income  |      | (31,710)         |
| 28,685           | Benefits payable                                      | 7    | 28,163           |
| 1,217            | Payments on account of leavers                        | 8    | 1,546            |
| 29,902           | Total expenditure                                     |      | 29,709           |
| (923)            | Net (additions)/withdrawals from dealing with members |      | (2,001)          |
| (29)             | Other income  | 6    | (1)              |
| 4,819            | Management expenses                                   | 9    | 4,734            |
| 3,867            | Net (additions)/withdrawals                           |      | 2,732            |
|                  | <b>Returns on investments</b>                         |      |                  |
| (6,827)          | Investment income                                     | 10   | (10,798)         |
| 3                | Taxes on Income                                       | 11   | -                |
| (123,320)        | Changes in the market value of investments            | 12   | (39,479)         |
| (130,144)        | Net (profit)/loss on investments                      |      | (50,277)         |
| (126,277)        | Net (increase)/decrease in the fund                   |      | (47,545)         |
| 644,545          | Opening net assets                                    |      | 770,822          |
| 770,822          | Closing net assets                                    |      | 818,367          |

2020/21 figures have been reclassified to reflect consistency in the classification of investment income as defined in the accounting policies. The reclassification is reflected by £1,210k decrease in investment income and increase in changes in market value of investments of the same amount.

## Notes to the Pension Accounts

|   |    |
|---|----|
| Note 1: Basis of Preparation.....   | 38 |
| Note 2: Accounting Policies.....  | 38 |
| Note 3: Critical Judgements in Applying Accounting Policies .....                       | 40 |
| Note 4: Contributions Receivable .....  | 41 |
| Note 5: Transfers In .....  | 41 |
| Note 6: Other Income .....  | 41 |
| Note 7: Benefit Payable .....   | 42 |
| Note 8: Payments to and on Account of Leavers .....                                     | 42 |
| Note 9: Management Expenses .....   | 42 |
| Note 9a: Investment Management Expenses.....  | 43 |
| Note 10: Investment Income.....   | 43 |
| Note 11: Taxes on Income.....   | 43 |
| Note 12: Investments.....   | 44 |
| Note 13: Current Assets and Liabilities .....   | 49 |
| Note 14: Related Party Transactions.....  | 49 |
| Note 15: Additional Voluntary Contributions (AVC).....                                  | 50 |
| Note 16: Contingent Liabilities .....   | 50 |
| Note 17: Post Balance Sheet Events .....  | 50 |
| Note 18: Capital Commitments.....   | 51 |
| Note 19: Stock Lending .....  | 51 |
| Note 20: Financial Instruments.....   | 52 |
| Note 21: Actuarial Present Value of Promised Retirement Benefits .....                  | 54 |
| Note 22: Nature and Extent of Risks Arising from Financial Instruments .....            | 55 |
| Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted ..... | 59 |



# Pension Fund Accounts 2021/22

## Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2021/22 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.

### 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 2021/22

### 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 2022 was £62.7m (31 March 2021: £55m).

#### 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 2021/22

### Note 4: Contributions Receivable

| 2020/21<br>£'000 | By Category | 2021/22<br>£'000 |
|------------------|-------------|------------------|
| 21,917           | Employers   | 23,248           |
| 5,294            | Employees   | 5,806            |
| 27,211           |             | 29,054           |

| 2020/21<br>£'000 | By Authority                              | 2021/22<br>£'000 |
|------------------|---|------------------|
| 25,136           | Powys County Council (administering body) | 27,001           |
| 861              | Scheduled bodies                          | 909              |
| 1,214            | Admitted bodies                           | 1,144            |
| 27,211           |   | 29,054           |

| 2020/21<br>£'000 | By Type                                   | 2021/22<br>£'000 |
|------------------|---|------------------|
| 18,465           | Employers normal contributions            | 19,817           |
| 5,294            | Employees normal contributions            | 5,806            |
| 272              | Employers additional contributions        | 136              |
| 3,180            | Employers deficit reduction contributions | 3,295            |
| 27,211           |   | 29,054           |

### Note 5: Transfers In

| 2020/21<br>£'000 |   | 2021/22<br>£'000 |
|------------------|---|------------------|
| 3,614            | Individual transfers from other schemes | 2,656            |

### Note 6: Other Income

| 2020/21<br>£'000 |                | 2021/22<br>£'000 |
|------------------|----------------|------------------|
| 29               | Administration | 1                |
| 29               |                | 1                |

## Pension Fund Accounts 2021/22

### Note 7: Benefit Payable

| 2020/21<br>£'000 |   | 2021/22<br>£'000 |
|------------------|---|------------------|
| 23,827           | Pensions                                      | 24,323           |
| 4,064            | Commutations and lump sum retirement benefits | 3,255            |
| 794              | Lump sum death benefits                       | 585              |
| 28,685           |   | 28,163           |

Benefits can be further analysed as follows:

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
| 24,383           | Powys County Council (administering authority) | 24,165           |
| 2,647            | Scheduled bodies                               | 2,537            |
| 1,655            | Admitted bodies                                | 1,461            |
| 28,685           |  | 28,163           |

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

| 2020/21<br>£'000 |                                       | 2021/22<br>£'000 |
|------------------|---------------------------------------|------------------|
| 43               | Refunds to members leaving service    | 72               |
| 1,174            | Individual transfers to other schemes | 1,474            |
| 1,217            |                                       | 1,546            |

### Note 9: Management Expenses

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
| 1,118            | Administration expenses                      | 1,261            |
| 3,575            | Investment management expenses (see Note 9a) | 3,348            |
| 126              | Oversight and governance costs               | 125              |
| 4,819            |  | 4,734            |

Included in Administration expenses, the chair of the pension and investment committee was paid the equivalent of a senior responsibility allowance from 23 September 2021 totalling £6k including on costs.

## Pension Fund Accounts 2021/22

### Note 9a: Investment Management Expenses

| 2020/21<br>£'000 |                             | 2021/22<br>£'000 |
|------------------|-----------------------------|------------------|
| 222              | Bonds                       | 16               |
| 17               | Equities                    | 21               |
| 1,049            | Wales Pool investments      | 1,426            |
| 380              | Pooled Property investments | 418              |
| 758              | Private Equity              | 585              |
| 892              | Hedge Funds                 | 612              |
| 88               | Derivatives                 | 90               |
| 166              | Investment Advice           | 178              |
| 3                | Custody fees                | 2                |
| 3,575            |                             | 3,348            |

### Note 10: Investment Income

Reclassified

| 2020/21<br>£'000 |                             | 2021/22<br>£'000 |
|------------------|-----------------------------|------------------|
| -                | Interest on cash deposits   | (15)             |
| (1,145)          | Pooled property investments | (513)            |
| (5,682)          | Private equity income       | (10,270)         |
| (6,827)          |                             | (10,798)         |

2020/21 figures have been reclassified to reflect consistency in the classification of investment income as defined in the accounting policies. Pooled Property investments have been reduced by £540k and Income from Bonds which were shown as £670k have been removed from the note (see Net Assets Statement and Note 12).

### Note 11: Taxes on Income

| 2020/21<br>£'000 |                    | 2021/22<br>£'000 |
|------------------|--------------------|------------------|
| 3                | Tax on investments | -                |
| 3                |                    | -                |

# Pension Fund Accounts 2021/22

## Note 12: Investments

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

### Reclassified

|                                  | Value as at<br>1 Apr 20 | Purchases at<br>Cost | Sales<br>Proceeds | Fees<br>included in<br>NAV | Cash<br>Movement | Change in<br>Market Value | Value as at<br>31 Mar 21 |
|----------------------------------|-------------------------|----------------------|-------------------|----------------------------|------------------|---------------------------|--------------------------|
|                                  | £'000                   | £'000                | £'000             | £'000                      | £'000            | £'000                     | £'000                    |
| Bonds                            | 227,089                 | 174,482              | (167,983)         | (531)                      | -                | 16,509                    | 249,566                  |
| Equities<br>(pooled funds)       | 241,837                 | -                    | (12,000)          | (645)                      | -                | 115,551                   | 344,743                  |
| Property<br>(pooled funds)       | 61,112                  | -                    | (1,185)           | (353)                      | 1,145            | 1,508                     | 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<br>Investments | 7,077                   | 26,626               | (26,626)          | -                          | -                | 1,839                     | 8,916                    |
|                                  | 631,105                 | 222,981              | (215,366)         | (3,181)                    | 6,827            | 123,320                   | 765,686                  |

2020/21 figures have been reclassified to reflect consistency in the classification of investment income as defined in the accounting policies. Purchases at Cost have been reduced by £540k Property (pooled funds) and Bonds £670k. Change in market value has increased by the same amount for those Assets to reflect the change.

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

## Pension Fund Accounts 2021/22

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.

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

The notional value of the Derivative options as at 31<sup>st</sup> March 2022 is £158.25m

### **Derivatives Summary**

#### **Investment Objective**

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

#### **Investment Policy**

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

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

The manager may take both long and short positions.

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



## Pension Fund Accounts 2021/22

### Note 12a: Analysis of Investments

| 2020/21<br>£'000 |                                  | 2021/22<br>£'000 |
|------------------|----------------------------------|------------------|
|                  | <b>Wales Pension Partnership</b> |                  |
| 180,053          | Bonds                            | 184,040          |
| 149,441          | Equities                         | 127,966          |
| 5,371            | Cash & Cash Equivalents          | 5,371            |
| 334,865          |                                  | 317,377          |
|                  |                                  |                  |
|                  | <b>Other Investments</b>         |                  |
| 69,513           | Bonds                            | 85,057           |
| 195,302          | Equities                         | 207,492          |
| 62,226           | Pooled property                  | 68,842           |
| 54,951           | Private equity                   | 62,723           |
| 58,774           | Hedge Funds                      | 59,615           |
| (13,490)         | Derivatives                      | (11,411)         |
| 3,545            | Cash & Cash Equivalents          | 5,525            |
| 430,821          |                                  | 477,843          |
| 765,686          | <b>Total Investment Assets</b>   | 795,220          |

## Pension Fund Accounts 2021/22

### Note 12b: Investments Analysed by Fund Manager

| 31-Mar 21             |      |   | 31-Mar 22             |      |
|-----------------------|------|---|-----------------------|------|
| Market Value<br>£'000 | %    |   | Market Value<br>£'000 | %    |
|                       |      | <b>Investments managed by WPP<br/>asset pool</b>      |                       |      |
| 154,812               | 20.2 | Link  | 133,337               | 16.8 |
| 180,053               | 23.5 | Russel Investments                                    | 184,040               | 23.1 |
| <b>334,865</b>        |      |   | <b>317,377</b>        |      |
|                       |      | <b>Investments managed outside<br/>WPP asset pool</b> |                       |      |
| -                     | 0.0  | Adept   | 59,616                | 7.5  |
| 9,391                 | 1.2  | Aviva Investors Pensions Ltd                          | 6,430                 | 0.8  |
| 237,606               | 31.0 | Blackrock Global Investors Ltd                        | 246,493               | 31.0 |
| 41                    | 0.0  | CBRE Ltd  | 6                     | 0.0  |
| 16,460                | 2.1  | CFM   | -                     | 0.0  |
| 19,680                | 2.6  | Graham Capital Management                             | -                     | 0.0  |
| 54,808                | 7.2  | HarbourVest Partners LLC                              | 62,691                | 7.9  |
| 13,229                | 1.7  | Hermes Fund Managers Ltd                              | 15,470                | 1.9  |
| 17,263                | 2.3  | Insight Investment Ltd                                | 40,170                | 5.1  |
| 5,986                 | 0.8  | IPM   | -                     | 0.0  |
| 16,649                | 2.2  | MAN   | -                     | 0.0  |
| 39,565                | 5.2  | Schroders Investment<br>Management Ltd                | 46,935                | 5.9  |
| 143                   | 0.0  | Standard Life Investments Ltd                         | 32                    | 0.0  |
| <b>430,821</b>        |      |   | <b>477,843</b>        |      |
| <b>765,686</b>        |      |   | <b>795,220</b>        |      |

## Pension Fund Accounts 2021/22

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

| 31-Mar                | 21   |   | 31-Mar                | 22   |
|-----------------------|------|---|-----------------------|------|
| Market Value<br>£'000 | %    | Security  | Market Value<br>£'000 | %    |
| -                     | 0.0  | Adept Hedge Fund  | 59,616                | 7.5  |
| 47,138                | 6.2  | Blackrock Aquila Life Currency<br>Hedged MSCI Wrld Idx S1 | 49,307                | 6.2  |
| 89,721                | 11.8 | Blackrock Aquila Life Currency<br>Hedged US Equity Idx S1 | 94,756                | 11.8 |
| 17,263                | 2.2  | Insight LDI Active 51 Fund                                | 40,170                | 5.1  |
| 154,812               | 20.4 | Link WPP Global Growth                                    | 133,337               | 16.8 |
| 65,627                | 8.6  | Link WPP Multi Asset Credit                               | 64,487                | 8.1  |
| 84,978                | 11.2 | Link WPP Absolute Return Bonds                            | 91,363                | 11.5 |
| 39,565                | 5.2  | Schroder UK Real Estate Fund                              | 46,935                | 5.9  |

The table below shows the strategic asset allocation against the actual allocation as at 31 March 2022. The Fund's asset allocation strategy is set out in the Investment strategy Statement.

| Asset Class                     | Strategic<br>allocation % | Actual<br>allocation % |
|---------------------------------|---------------------------|------------------------|
| Bonds                           | 30                        | 34                     |
| Equities                        | 37                        | 42                     |
| Property                        | 10                        | 9                      |
| Private Equity                  | 5                         | 8                      |
| Hedge Funds                     | 8                         | 7                      |
| Infrastructure/<br>Private Debt | 10                        | 0                      |
|                                 | 100                       | 100                    |

## Note 13: Current Assets and Liabilities

| 2020/21<br>£'000 | Current Assets                               | 2021/22<br>£'000 |
|------------------|--|------------------|
| 119              | Contributions due from employers and members | 145              |
| 5,599            | Cash balances                                | 2,233            |
| -                | Investment debtors                           | 20,000           |
| 133              | Sundry debtors                               | 985              |
| 5,851            |  | 23,363           |
|                  | Current Liabilities                          |                  |
| (315)            | Benefits payable                             | (72)             |
| (400)            | Sundry creditors                             | (144)            |
| (715)            |  | (216)            |

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.

Investment debtors represents an investment with Adept hedge fund, paid 16 March 2022 with a trade date of 01 April 2022.

## Note 14: Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 3. Their combined contributions into the scheme totalled £22.7k in 2021/22 (£21.8k in 2020/21). Key management personnel remuneration can be found in the Powys County Council Statement of Accounts.

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

The Authority incurred costs of £1,118k in 2021/22 (2020/21: £997k) 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 £21,534k to the Fund in 2021/22 (2020/21: £20,067k) in employers' contributions and deficit recovery payments.

## Governance

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

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

Councillors are required to declare their interest at each meeting.

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

For the full Governance Statement please refer to the links in Appendix 2 of the Annual report.

## Pension Fund Accounts 2021/22

### Note 14a Key Management Personnel

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

| 2020/21<br>£'000 | Current Assets           | 2021/22<br>£'000 |
|------------------|--------------------------|------------------|
| 75.5             | Short term benefits      | 78.8             |
| 26.9             | Post-employment benefits | 39.5             |
| -                | Other long term benefits | -                |
| -                | Termination benefits     | -                |
|                  |                          |                  |

### 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:

| Contributions<br>2020/21<br>£'000 | Market Value<br>31-Mar<br>2021 |                          | Contributions<br>2021/22<br>£'000 | Market Value<br>31-Mar<br>2022 |
|-----------------------------------|--------------------------------|--------------------------|-----------------------------------|--------------------------------|
| 233                               | 1,324                          | Prudential               | 103                               | 1,301                          |
| 53                                | 966                            | Standard Life            | 30                                | 799                            |
| -                                 | 88                             | Utmost Life and Pensions | -                                 | 91                             |
| 286                               | 2,378                          |                          | 133                               | 2,191                          |

### 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.

## Pension Fund Accounts 2021/22

### Note 18: Capital Commitments

| 2020/21<br>£'000 | Private Equity and Property mandate | 2021/22<br>£'000 |
|------------------|-------------------------------------|------------------|
| 897              | Standard Life (Private Equity)      | -                |
| 19,218           | Harbourvest (Private Equity)        | 19,006           |
| 20,115           |                                     | 19,006           |

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. Standard Life have confirmed the outstanding capital commitment of €1.039m at 31 March 2022 will not be drawn down.

### 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 2021/22

## Note 20: Financial Instruments

### Note 20A: Classification of financial instruments & liabilities

| 31 Mar         | 2021                               |                                   | 31 Mar         | 2022                               |
|----------------|------------------------------------|-----------------------------------|----------------|------------------------------------|
| Amortised cost | Fair value through profit and loss |                                   | Amortised cost | Fair value through profit and loss |
| £'000          | £'000                              | Financial Assets                  | £'000          | £'000                              |
|                |                                    | <b>Wales Pension Partnership:</b> |                |                                    |
|                | 180,053                            | Bonds                             |                | 184,040                            |
|                | 149,441                            | Equities                          |                | 127,966                            |
|                | 5,371                              | Cash & short term investments     |                | 5,371                              |
|                |                                    | <b>Other Investments:</b>         |                |                                    |
|                | 69,513                             | Bonds                             |                | 85,057                             |
|                | 195,302                            | Equities                          |                | 207,492                            |
|                | 62,226                             | Property (pooled funds)           |                | 68,841                             |
|                | 54,951                             | Private equity                    |                | 62,723                             |
|                | 58,774                             | Hedge fund of funds               |                | 59,616                             |
|                | (13,490)                           | Derivatives (options)             |                | (11,411)                           |
|                | 3,545                              | Cash & short term investments     |                | 5,525                              |
| 5,851          |                                    | Current assets                    | 23,363         |                                    |
| 5,851          | 765,686                            | Total financial assets            | 23,363         | 795,220                            |
|                |                                    | <b>Financial Liabilities</b>      |                |                                    |
| (715)          |                                    | Current liabilities               | (216)          |                                    |
| (715)          |                                    |                                   | (216)          |                                    |

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

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

#### Level 1

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

#### Level 2

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

## Pension Fund Accounts 2021/22

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 22 | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|-----------------------|------------------|------------------|------------------|----------------|
| Investments           | 298,073          | 386,219          | 110,928          | 795,220        |
| Current assets        | 23,363           | -                | -                | 23,363         |
| Current liabilities   | (216)            | -                | -                | (216)          |
| Net financial assets  | 321,220          | 386,219          | 110,928          | 818,367        |

| Value as at 31 Mar 21 | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'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        |

### Reconciliation of Level 3 movements

| Level 3 asset  | Value as at<br>31 Mar 21<br>£'000 | Purchases,<br>sales &<br>transfers<br>£'000 | Other<br>movement<br>£'000 | Change in<br>market<br>value<br>£'000 | Value as at<br>31 Mar 22<br>£'000 |
|----------------|-----------------------------------|---|----------------------------|---------------------------------------|-----------------------------------|
| Hedge funds    | 58,774                            | (884)                                       | ( 631)                     | 2,357                                 | 59,616                            |
| Private equity | 54,951                            | (10,040)                                    | 9,703                      | 8,109                                 | 62,723                            |
| Derivatives    | (13,491)                          | 16,751                                      | -                          | (14,671)                              | (11,411)                          |
| Total          | 100,234                           | 5,827                                       | 9,072                      | (4,205)                               | 110,928                           |



## Pension Fund Accounts 2021/22

### 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<br>% | 31 March 2019<br>% |
|----------------------|--------------------|--------------------|
| 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 2021/22

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 2022/23. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

| Asset Type                       | Value as at<br>31 Mar 22<br>£'000 | Percentage<br>Change<br>% | Value on<br>Increase<br>£'000 | Value on<br>Decrease<br>£'000 |
|----------------------------------|-----------------------------------|---------------------------|-------------------------------|-------------------------------|
| Equities                         | 335,458                           | 15.45                     | 387,286                       | 283,630                       |
| Bonds                            | 269,097                           | 6.13                      | 285,593                       | 252,601                       |
| Property                         | 68,841                            | 3.99                      | 71,588                        | 66,094                        |
| Private Equity                   | 62,723                            | 26.18                     | 79,144                        | 46,302                        |
| Hedge Funds                      | 59,616                            | 5.28                      | 62,764                        | 56,468                        |
| Derivatives                      | (11,411)                          |                           |                               |                               |
| Cash & short term<br>investments | 10,896                            | 0.1                       | 10,907                        | 10,885                        |
| <b>Total Assets</b>              | <b>795,220</b>                    |                           | <b>897,282</b>                | <b>715,980</b>                |

## Pension Fund Accounts 2021/22

### Interest Rate Risk

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

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

Interest rates are forecast to rise in the next twelve months, based on the Authorities Treasury Management advisor's latest advice. The Fund's exposure to interest rate movements as at 31 March 2021 and 31 March 2022 is set out below.

| <b>As at<br/>31 Mar 21<br/>£'000</b> | <b>Asset Type</b> | <b>As at<br/>31 Mar 22<br/>£'000</b> |
|--------------------------------------|-------------------|--------------------------------------|
| 8,916                                | Cash Instruments  | 10,896                               |
| 5,599                                | Cash balances     | 2,233                                |
| 195,778                              | Bonds             | 205,610                              |
| 210,293                              | Total             | 218,739                              |

### 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 2021/22

The fund's currency exposure as at 31 March 2021 and 31 March 2022 is set out below.

| As at<br>31 Mar 21<br>£'000 |                | As at<br>31 Mar 22<br>£'000 |
|-----------------------------|----------------|-----------------------------|
| 54,951                      | Private equity | 62,723                      |
| 54,951                      | Total          | 62,723                      |

A 6.3% volatility associated with exchange rates is considered likely, based on analysis of historical movements.

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

A 6.3% 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<br>31 Mar 22<br>£'000 | Value on Increase<br>£'000 | Value on Decrease<br>£'000 |
|----------------|-----------------------------------|----------------------------|----------------------------|
| Private equity | 62,723                            | 66,700                     | 58,746                     |
| Total          | 62,723                            | 66,700                     | 58,746                     |

### 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 2021/22

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

|                             | Rating | As at 31 Mar 21<br>£'000 | As at 31 Mar 22<br>£'000 |
|-----------------------------|--------|--------------------------|--------------------------|
| <b>Bank Current Account</b> |        |                          |                          |
| HSBC                        | AA-    | 5,111                    | 1,372                    |
| <b>Bank Deposit Account</b> |        |                          |                          |
| HSBC                        | AA-    | 488                      | 861                      |

### Liquidity risk

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of illiquid assets was £184.7m, which represented 23.3% of the total fund assets - (31 March 2021 - £155.9m, which represented 20.5% 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 2022 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 2021/22

### 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 2022 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 2021-22.

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 2022, 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 2021-22.

#### 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

## Pension Fund Accounts 2021/22

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

I have nothing to report in this regard.

### Report on other requirements

#### **Opinion on other matters**

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

#### **Matters on which I report by exception**

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

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

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

### Responsibilities

#### **Responsibilities of the responsible financial officer for the financial statements**

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

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

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



## Pension Fund Accounts 2021/22

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

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

My procedures included the following:

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

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

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

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

## Pension Fund Accounts 2021/22

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](http://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

XX November 2022

24 Cathedral Road

Cardiff

CF11 9LJ

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

# Pension Fund Accounts 2021/22

## Statement of the Actuary for the Year Ended 31 March 2022

### 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.

## Pension Fund Accounts 2021/22

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

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

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<br>(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:

## Pension Fund Accounts 2021/22

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

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in 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 (SAB) 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 due to this judgement was issued in July 2020. On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, although final regulations are not expected to come into force until 2023. After incorporating

## Pension Fund Accounts 2021/22

the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvement or member contribution changes recommended under that process. However, some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

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 finalised.

- **Goodwin**

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

Aon Solutions UK Limited

**May 2022**

# Pension Fund Accounts 2021/22

## Appendix 1: Pension Board

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

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

The Board receives support and advice from Officers of Powys County Council and may seek advice and information from external professional advisers. During 2021/22 the membership of the Board was as follows:

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

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



# Pension Fund Accounts 2021/22

## 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)  
Mr K Ettles/ Mr G Feane/ Mr R Antrobus– Aon (Investment Consultants)  
Mrs B Durran – Aon (Actuary)  
Burgess Salmon (Legal Advisers)

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

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

# Pension Fund Accounts 2021/22

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

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

### Contact List and Communications

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

### *Pension Scheme, Fund Governance & Other Matters*

Pension Fund Manager                      Mr C Hurst                      01597 827640

Pensions Administration Manager      Mrs M Price                      01597 827642

### *Accounts & Investment*

Pension Fund Accounts                      Mr D Paley                      01597 826042

## Glossary of Terms

### Accrual

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

### Actuary

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

### Actuarial Valuation

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

### Additional Voluntary Contributions

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

### Admitted Bodies

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

### Audit

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

### Balance Sheet

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

### Contingent Liabilities

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

### Creditor

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

### Current Asset

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

### Current Liabilities

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

### Current Service Costs (Pension)

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

### Debtor

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

### Equities - Pooled

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

### Financial Reporting Standards (FRS's)

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

### Financial Year

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

### Gilt Edged Stocks

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

### Liability

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

### Past Service Costs (Pension)

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

### Post Balance Sheet Events

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

### Scheduled Body

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

### Securities

These are investments such as stocks and bonds.

