Pecyn Dogfennau

Mark James LLM, DPA, DCA
Prif Weithredwr,
Chief Executive,
Neuadd y Sir, Caerfyrddin. SA31 1JP
County Hall, Carmarthen. SA31 1JP

DYDD LLUN, 2AIL HYDREF, 2017

AT: HOLL AELODAU'R BWRDD PENSIWN CRONFA BENSIWN DYFED

YR WYF DRWY HYN YN EICH GALW I FYNYCHU CYFARFOD O'R **BWRDD PENSIWN CRONFA BENSIWN DYFED** A GYNHELIR YN **YSTAFLL BWYLLGOR 1, 3 HEOL SPILMAN, CAERFYRDDIN** AM **3.00 P.M.** AR **DDYDD LLUN, 9FED HYDREF, 2017** ER MWYN CYFLAWNI'R MATERION A AMLINELLIR AR YR AGENDA SYDD YNGHLWM

Mark James DYB

PRIF WEITHREDWR

AILGYLCHWCH OS GWELWCH YN DDA

Swyddog Democrataidd:	**Michelle Evans Thomas**
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Cyf:	**AD016-001**

BWRDD PENSIWN

Catherine Davies	Cynrychiolydd Aelod Gweithredol
Ian Eynon	Cynrychiolydd o'r Cyflogwyr
Cllr. Philip Hughes	Cynrychiolydd o'r Cyflogwyr
John Jones	Cynrychiolydd Annibynnol (Cadeirydd y Panel)
Mark Miles	Cynrychiolydd o'r Cyflogwyr;
Mike Rogers	Cynrychiolydd Aelod Pensiynwyr
Janet Wyre	Cynrychiolydd Undeb

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Mae'r dudalen hon yn wag yn fwriadol

DYFED PENSION FUND

PENSION BOARD MEETING

19 July 2017 14:30 – 17.00

Democratic Services Committee Room, County Hall, Carmarthen

Minutes and Actions

Present:

John Jones (JJ), AllenbridgeEpic, Independent Chair
Janet Wyer (JW), Pembrokeshire County Council, Employee Rep. (Unions)
Mike Rogers (MR), Formerly Carmarthenshire County Council, Employee Rep. (Pensioner)
Ian Eynon (IE), Pembrokeshire County Council, Employer Rep.

Supporting Officers Carmarthenshire County Council:

Chris Moore (CM), Director of Corporate Services
Anthony Parnell (AP), Treasury & Pension Investments Manager
Martin Morgan (MM), Deputy Pensions Manager

Other Attendees:

Tracey Williams (Minute taker)

Item 1 Apologies for Absence

Mark Miles (MM), Mid and West Wales Fire and Rescue Service, Employer Rep.
Cath Davies (CD), Pembrokeshire County Council, Employee Rep. (Active)
Owen Bowen (OB), Head of Financial Services
Kevin Gerard (KG), Pensions Manager

Item 2 Conflicts of Interest

None

Item 3 Minutes of 10 February 2017 meeting / Action Log

JJ invited comments page by page, minutes agreed.

JJ presented the Action Log, no comments.

Item 4 Matters Arising

Panel meetings through Democratic Services (DS):
CM explained that the structure of future panel meetings will be changing, they will be formal public meetings held in Carmarthen and facilitated by DS with minutes published on CCC website. The Pension Panel will be renamed as the Pension Committee. **JJ** asked if the Board meetings will also be public meetings to which **CM** replied that yes they will be. Next Pension Committee meeting is scheduled to be in September, **AP** to arrange with DS. Also discussed and agreed was that in future board meetings will be held within a month of the committee meetings.

The new CCC employer representative of the Board to be confirmed.

CM gave details of the new Committee members:

- Cllr Elwyn Williams (Chair)
- Cllr Jim Jones
- Cllr John Prosser
- Cllr Dai Thomas (Substitute)

There has been one meeting/training session held in London with the Investment Managers.

Action: AP to speak to DS to arrange the September Pension Committee meeting

Format of Admin update reports going forward:
MM informed the board that **KG** had had an initial discussion with **OB** (see Item 7 below).

Item 5 Training session

CIPFA event:
JJ and **JW** gave an overview of the CIPFA training event that they attended in London with **CD** in June 2017. **JW** presented a briefing report, highlighting the main areas covered in the event. The following points were raised in relation to the Dyfed Pension Fund (DPF).

- **Complaints** - **JW** asked about DPF's complaints procedure, **MM** explained the IDPR process and confirmed that the number of complaints received by DPF were very low. Board members requested whether data could be provided re: the number of complaints received at each level and the nature of them. **CM** explained that there may be confidential issues but suggested the possibility of a statistical report.

  Action: MM/KG to discuss with OB the possibility of providing a complaints log

- **Cyber Security** – **JW** asked whether processes are in place to ensure compliance with the updated Data Protection Regulations coming into effect in May 2018. **MM** explained that the Information Officer in CCC is looking at putting something in place for the whole authority.

  Action: MM/KG to provide an update for the next meeting

- **Cost Transparency – JW** asked whether all DPF Investment Managers have signed up to the Cost Transparency Code. Baillie Gifford have already signed up with 2 others in the process. **AP** going to contact the other 4 investment managers to see when they are signing up.

Action: AP to contact the 4 Investment Managers and report back in the next meeting

Both **JJ** and **JW** agreed that the training event was very useful and would suggest that fellow board members attend the half day course in November 2017. A similar course will be running again in June 2018 and the recommendation is that another 2 board members attend. **JW** mentioned that following this event, she is now supportive of an Independent Chair for the Board.

CM updated the board on the first Joint Governance Committee (JGC) meeting that was held on 29 June 2017. The next JGC meeting will be held in Carmarthen on 18 September 2017 and will be a public meeting. It was also noted that these meetings are webcast on CCC website and all papers are available online. **AP** to circulate dates of future JGC meetings to all Board members.

Action: AP to circulate dates of future JGC meetings

JJ presented the Public service governance and administration survey paper, highlighting the following points:

- Page 2 – Top risks
- Page 3 – Pension board members have a key role to play in supporting scheme managers
- Page 4 – Schemes should be doing annual reviews
- Page 5 – Quality of data provided by employers remains an issues

JJ recommended that all members read this summary and **MM** confirmed that they are fully aware of the issues identified.

Item 6 Investments

AP presented and explained the following statements on the website:

- Funding Strategy Statement
- Investment Strategy Statement

Item 7 Administration

MM presented the March 2017 pension administration update report. **IE** asked about the shared cost in relation to AVC's and **MM** confirmed that he would look into this and provide an update.

Action: MM/KG to provide IE with an update re shared costs

The request for more activity data was mentioned and it was agreed that a teleconference would take place between **CM**, **KG**, **MM** and **JJ** to see what activity data is required which will be practical and useful for the board.

Action: MM to arrange a meeting with CM and KG next week and then arrange a teleconference with JJ to see what activity data is required

Item 8 Governance

JJ ran through:

(a) SAB/TPR – No further update

(b) Panel minutes 24 & 25 November 2016 – no comments

(c) Panel minutes 9 March 2017 – no comments

(d) Wales Pension Partnership - **AP** gave an update on the Wales Pension Partnership stating that 4 companies have tendered for the operator contract, evaluations will take place in August with a report going to JGC in September. Appointment should be completed by the end of October, ahead of the 1 April 2018 deadline

(e) Draft Pension Board Annual Report – **JJ** to liaise with the other board members and any amendments to be emailed to **AP** by mid August

Action: JJ to email any annual report amendments to AP by mid August

(f) DPF Business Plan 2017/18 – no comments

(g) Terms of Reference review, couple of points were raised as follows:
- Board meetings to be in line with Pension Committee meetings
- Terms of office to be reviewed

Action: Terms of office to be included as an agenda item in the next board meeting

(h) Breaches Log – no comments

Item 9 Audit and Risk Management

Risk Register:
AP presented the risk register, highlighting the areas which have been amended. **JJ** asked how often the register is reviewed. **AP** replied that **OB/KG/AP** review the register annually, more frequently if new risks are identified.

IE asked about the Business Continuity plan and how often it's tested, **AP** explained that this is run by IT and the Risk management team but he would find out by the next meeting

Action: AP to speak to IT / Risk management Team re the testing of the Business Continuity Plan

Pension Board Insurance:
AP confirmed that a quote had been received from AON and was waiting for another from Hymans. **AP** to report back at next meeting.

Item 10 Accounts & Budget

a) Pension Board Budget Monitoring – no comments

b) Pension Fund Budget Monitoring – no comments

c) DPF Budget 2017/18 – no comments

d) Draft Statement of Accounts 2017/18 – **AP** explained that the Wales Audit Office are aiming to complete the majority of the review by end July. ISA 260 will be presented at the September committee meeting

Item 11 Training

- The up to date Training Programme was presented
- **JJ** reiterated the CIPFA training event in November 2017
- **MR** spoke about the pensions regulator toolkit online – it was agreed that all board members complete this to identify any training needs

Action: All board members to complete the pensions regulator toolkit online

Item 12 Date of Next / Future Meetings

Next meeting to be in line with the pension committee meeting

Action: JJ/AP to email suggested dates once committee date is set

Item 13 AOB

AP reminded everyone that the Quorum for board meetings in the Terms of Reference is that there must be:

- Independent/Chair
- 1 Employee Representative
- 1 Employer Representative

JJ thanked everyone for attending and brought the meeting to a close at 17.00.

Mae'r dudalen hon yn wag yn fwriadol

BWRDD PENSIYNAU CRONFA BENSIWN DYFED

09/10/2017

Cyfarfod Pwyllgor Cronfa Bensiwn Dyfed 21 Medi 2017

YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN:

Y Bwrdd Pensiwn i nodi a rhoi sylwadau ar gofnodion a gweithredoedd cyfarfod pwyllgor Cronfa Bensiwn Dyfed ar 21/09/2017.

RHESYMAU:

I gynghori'r Bwrdd Pensiwn am y cyfarfod a gynhaliwyd gan bwyllgor Cronfa Bensiwn Dyfed ar 21/09/2017.

Awdur yr Adroddiad:	Swydd:	Rhif ffôn
Chris Moore	**Cyfarwyddwr y Gwasanaethau Corfforaethol,** **Cyngor Sir Gâr**	**01267 224120** **e-bost:** **CMoore@sirgar.gov.uk**

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
09/10/2017

Dyfed Pension Fund Committee Meeting 21 September 2017

BRIEF SUMMARY OF PURPOSE OF REPORT

A Pension Fund Committee meeting was held on 21/09/2017 and the following agenda items were considered and noted:

- Audit of Financial Statements Report 2016-17 (ISA 260)
- Dyfed Pension Fund Financial Statements 2016-17
- Budget Monitoring as at 31 August 2017
- Cash Reconciliation as at 31 July 2017
- Breaches Report
- MIFiD II

The minutes of the meeting are also attached for information.

DETAILED REPORT ATTACHED?	YES

IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	**NONE**	**NONE**	**NONE**	**NONE**

Section 100D Local Government Act, 1972 – Access to Information List of Background Papers used in the preparation of this report: THESE ARE DETAILED BELOW		
Title of Document	**File Ref No.**	**Locations that the papers are available for public inspection/WEBSITE LINK**

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Dyfed Pension Fund**

Audit year: 2016-17

Date issued: September 2017

Document reference: **496A2017**

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

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

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

The team who delivered the work comprised Richard Harries, Jason Garcia and Julie Owens.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1 The Auditor General is responsible for providing an opinion on whether the financial statements of Dyfed Pension Fund (the 'Pension Fund') give a true and fair view of their financial position at 31 March 2017 and of its income and expenditure for the year then ended.

2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

3 The gross assets controlled by the Pension Fund amount to £2.34 billion. The quantitative level at which we judge such misstatements to be material for the Pension Fund is £23.4 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

5 This report sets out for consideration the matters arising from the audit of the financial statements of Dyfed Pension Fund for 2016-17, that require reporting under ISA 260. .

Status of the audit

6 We received the draft financial statements for the year ended 31 March 2017 in advance of the deadline of 30 June 2017 and have now substantially completed our audit work.

7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Director of Corporate Services.

Proposed audit report

8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements of the 'Pension Fund' once you have provided us with a Letter of Representation based on that set out in Appendix 1.

9 The proposed audit report is set out in Appendix 2. The Pension Fund is included within the Council's main financial statements and therefore the opinion shown is that proposed for the Council's main financial statements incorporating the Pension Fund as detailed in Appendix 2

Significant issues arising from the audit

Uncorrected misstatements

10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. However, these were presentational only and did not affect the overall Fund Account or Net Asset Statement.

Other significant issues arising from the audit

12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.**

  We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.

  However, whilst we received the draft accounts in advance of the statutory deadline, we note that Management did subsequently submit a number of revised versions of the accounts during the course of the audit, to correct a number of presentational errors as well as to incorporate a revised fund manager fee. In future years, the statutory accounts submission deadline will be earlier and so a more timely quality review of the initial draft statements prior to submission for audit is recommended.
- **We did not encounter any significant difficulties during the audit.**

  We received information in a timely and helpful manner and were not restricted in our work.
- **There were no significant matters discussed and corresponded upon with management, which we need to report to you.**

  We have addressed the risks identified in the audit plan and there are no issues that need to be brought to your attention.
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**

- **We did not identify any material weaknesses in your internal controls.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

13 As part of the finalisation process, we are required to provide you with representations concerning our independence.

14 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Dyfed Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation – Dyfed Pension Fund

[Audited body's letterhead]

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

[Date]

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of Dyfed Pension Fund for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2016-17; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

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

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below: Include here an additional representation outlining the reasons for non-amendment of any non-trivial errors.

Representations by those charged with governance

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Audit Committee on 29 September 2017.

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

Signed by:	Signed by:
Director of Corporate Services – signed on behalf of management	Chair of the Audit Committee – signed on behalf of those charged with governance
Date:	Date:

Appendix 2

Auditor General for Wales' report to the Members of the Carmarthenshire County Council and Dyfed Pension Fund

I have audited the accounting statements and related notes of:

- Carmarthenshire County Council; and
- Dyfed Pension Fund

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Carmarthenshire County Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

Dyfed Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 6, the responsible financial officer is responsible for the preparation of the statement of accounts, including Dyfed Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Carmarthenshire County Council and Dyfed Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes

and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Carmarthenshire County Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Carmarthenshire County Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of Dyfed Pension Fund

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of Dyfed Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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;
- the accounting 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; and
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Date: 29 September 2017

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DYFED PENSION FUND STATEMENT OF ACCOUNTS 2016-2017

EXPLANATORY FOREWORD

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2016-2017. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

For readers with a more detailed or specialist interest of the operation of the Dyfed Pension Fund during 2016-2017, reference should be made to the Annual Report and Accounts 2016-2017 (when published).

The main accounts and reports contained within this Statement of Accounts are as follows:

- The Fund Account.
- The Net Assets Statement.
- The Statement by the Consulting Actuary

Fund Account for the Year Ended 31 March 2017

2015-16 £'000		Note	2016-17 £'000
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
	Employer		
36,503	Normal		36,980
7,082	Augmentation		7,125
7,508	Past Service Deficit		7,951
	Member		
17,484	Normal		17,739
177	Additional voluntary		76
1,986	Transfers in from other pension funds	6	1,889
70,740			71,760
	Benefits payable		
(59,798)	Pensions payable		(61,761)
(13,392)	Commutation and lump sum retirement benefits		(13,099)
(1,400)	Lump sum death benefits		(1,834)
(4,027)	Payments to and on account of leavers	7	(3,452)
(78,617)			(80,146)
(7,877)	**Net Additions (Withdrawals) from dealings with Members**		**(8,386)**
(7,015) *	Management Expenses	8	(7,371)
(14,892)	**Net Additions (Withdrawals) including fund management expenses**		**(15,757)**
	Returns on Investments		
29,828 *	Investment Income	9	31,508
(32)	Taxes on Income (Irrecoverable Withholding Tax)	10	(47)
	Changes in the market value of investments		
(78,090)	Unrealised	11.2	374,710
49,974	Realised	11.3	52,245
1,680	**Net Return on Investments**		**458,416**
(13,212)	**Net Increase (Decrease) in the net assets available for benefits during the year**		**442,659**
1,913,621	Opening Net Assets of Scheme		1,900,409
1,900,409	**Closing Net Assets of Scheme**		**2,343,068**

2015-16 Re-stated in accordance with CIPFA Management Costs guidance

Net Assets Statement for the year ended 31 March 2017

31/03/16 £'000		Note	31/03/17 £'000
1,894,613	Investment Assets		2,330,544
1,715	Cash deposits		4,880
(948)	Investment liabilities		(246)
1,895,380		11.1	2,335,178
9,227	Current assets	16	11,164
(4,198)	Current liabilities	17	(3,274)
5,029	Net Current Assets/(Liabilities)		7,890
1,900,409	**Total Net Assets**		**2,343,068**

Reconciliation of the movement in Fund Net Assets

2015-16 £'000		2016-17 £'000
1,913,621	Opening Net Assets	1,900,409
14,904	Net New Money Invested	15,704
(28,116)	Profit and losses on disposal of investments and changes in the market value of investments	426,955
1,900,409	**Closing Net Assets of Fund**	**2,343,068**

1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and is administered by Carmarthenshire County Council.

The following description of the Fund is a summary only. For more detail, reference should be made to the Annual Report and Accounts 2016-2017 (when published) and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

1.1 General

The Fund is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- the LGPS Scheme Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

It is a contributory defined pension scheme administered by Carmarthenshire County Council to provide pensions and other benefits for pensionable employees of Carmarthenshire County Council, Pembrokeshire County Council, Ceredigion County Council and a range of other scheduled and admission bodies within the former Dyfed geographical area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Dyfed Pension Fund Panel (the Panel).

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admission bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admission bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 67 employer organisations within the Dyfed Pension Fund as at 31 March 2017 and these are detailed in Note 21. The membership details of these organisations are summarised below:

31/03/16		31/03/17
18,970	Number of active contributors in the Fund	19,052
11,462	Number of pensioners	12,003
14,499	Number of deferred pensioners	14,904
44,931	**Total membership**	**45,959**
49	Number of employers with active members	50

These figures reflect the recorded position as at 31 March 2017 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2013. Currently, employer contribution rates range from 7.4% to 27.7% of pensionable pay as detailed in Note 21.

1.4 Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	**Service post 31 March 2008**
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. For more details, please refer to the Dyfed Pension Fund website – www.dyfedpensionfund.org.uk

2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2016-2017 financial year and its position at year end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-2017 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

Normal contributions, both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

3.2 Transfers to and from 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 contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

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

3.3 Investment income

3.3.1 Interest income
Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

3.3.2 Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.3.3 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.

3.3.4 Movement in the net market value of investments
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.4 Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

3.5 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.

As Carmarthenshire County Council is the administering Authority, VAT is recoverable on all Fund Activities. The Accounts are shown exclusive of VAT.

3.6 Management Expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.18m in 2016-2017 (2015-2016: Fee was £0.34m).

Where an investment manager's fee note has not been received by the year end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the Fund Account. In 2016-2017, £0.2m of fees is based on such estimates (2015-2016: £0.4m).

The costs of the council's pension investments team are charged direct to the fund and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

Net assets statement

3.7 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 by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

3.7.1 Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

3.7.2 Fixed interest securities
Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments
Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the investment manager.

3.7.4 Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations by those controlling the partnership.

3.7.5 Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if available. If this is not available then these investments will be valued at the closing single price. In the case of accumulation funds, the change in market value will also include income which is reinvested in the Fund.

3.8 Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market value of overseas investments and purchases and sales outstanding at the end of the reporting period.

3.9 Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

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

The Fund has had its own bank accounts, which deal with the transactions of the Fund, since 1 April 2011, in accordance with section 6 of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009.

Cash balances held by the Fund are invested on a short term basis on the London Money Market by Carmarthenshire County Council until it is required to meet its liabilities or to transfer surplus cash to the investment managers for reinvestment.

3.10 Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net asset 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.

3.11 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a reference in the accompanying actuarial report.

3.12 Additional voluntary contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual scheme members to determine how much they contribute (subject to HM Revenue & Customs limits) and the investment components or its mix.

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only - Note 18.

4 Critical judgements in applying accounting policies

4.1 Fund liability

The Fund's liability is calculated every three years by the appointed actuary. 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 Note 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31 March 2017 was £37.1m (31 March 2016: £33.3m).

5 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £25.2m for 2016-17. However, the assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pensions liability had decreased by £1.6m due to previous estimates being corrected as a result of actual experience and increased by £259.7m attributable to updating of the assumptions.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £37.1m. There is a risk that this investment may be under or overstated in the accounts.

6 Transfers in from other pension funds

2015-16 £'000		2016-17 £'000
0	Group transfers	0
1,986	Individual transfers	1,889
1,986		**1,889**

7 Payments to and on account of Leavers

2015-16 £'000		2016-17 £'000
(103)	Refunds to members leaving service	(138)
(28)	Payments for members joining state scheme	(1)
0	Group transfers	0
(3,896)	Individual transfers	(3,313)
(4,027)		**(3,452)**

8 Management Expenses

2015-16 £'000		2016-17 £'000
(925)	Administrative costs	(942)
(5,733)	Investment management expenses (Note 13)	(5,941)
(357)	Oversight and governance costs	(488)
(7,015)		**(7,371)**

2015-16 Re-stated in accordance with CIPFA Management Costs guidance

2016-17 Audit fees of £28,858 included within Oversight and governance costs. (2015-16 £26,874)

9 Investment Income

2015-16 £'000		2016-17 £'000
20,630	Income from equities	21,921
9,199	Pooled property investments	9,597
(1)	Interest on cash deposits	(10)
29,828		**31,508**

2015-16 Re-stated in accordance with CIPFA Management Costs guidance

10 Taxation

2015-16 £'000		2016-17 £'000
0	Withholding tax - Bonds	**0**
(32)	Withholding tax - equities	(47)
0	Withholding tax - pooled	0
(32)		**(47)**

11 Investments

11.1 Net investment assets

Fair value 31/03/2016 £'000		Fair value 31/03/2017 £'000
	Investment assets	
	Bonds	
	UK Corporate Bonds	
178,145	- BlackRock	221,350
	Indexed Linked Securities	
177,109	- BlackRock	219,346
	Equities	
	UK Quoted Equities	
450,678	- BlackRock	568,252
	Pooled Investments	
	Overseas equities	
479,667	- BlackRock	578,845
	Global equities	
199,874	- Baillie Gifford	270,933
194,866	- Columbia Threadneedle	249,594
	Pooled property investments	
175,362	- Schroders	183,045
27,001	- Partners Group	29,373
	Property	
1,047	- Schroders	1,144
6,334	- Partners Group	4,822
	Cash deposits	
736	- BlackRock	1,705
979	- Schroders	275
	- Partners Group	2,900
	Investment income due	
2,973	- BlackRock	3,126
0	- Schroders	45
	Tax reclaims due	
276	- BlackRock	312
88	- Schroders	99
	Amounts receivable for sales	
1,193	- BlackRock	258
1,896,328	**Total investment assets**	**2,335,424**
	Investment liabilities	
	Amounts payable for purchases	
(948)	- BlackRock	(246)
(948)	**Total investment liabilities**	**(246)**
1,895,380	**Net investment assets**	**2,335,178**

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £121m whilst sales totalled £59m. The sales realised a net gain of £62m. Acquisition costs are included in the purchase price of the investment.

	Fair value 31/03/2016 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2017 £'000
Bonds	355,254	38,086	(9,469)	0	56,825	440,696
Equities	450,678	56,152	(10,681)	0	72,103	568,252
Pooled investments	874,407	1,081	(25,847)	0	249,731	1,099,372
Pooled property investments	202,363	25,283	(12,918)	0	(2,310)	212,418
Property	7,381	269	0	0	(1,684)	5,966
	1,890,083	**120,871**	**(58,915)**	**0**	**374,665**	**2,326,704**
Other investment balances						
Cash deposits	1,715	0	0	3,165	0	4,880
Amount receivable for sales investments	1,193	0	0	(935)	0	258
Investment income due	2,973	0	0	153	45	3,171
Tax reclaims due	364	0	0	47	0	411
Amounts payable for purchases investments	(948)	0	0	702	0	(246)
	1,895,380	**120,871**	**(58,915)**	**3,132**	**374,710**	**2,335,178**

	Fair value 31/03/2015 £'000	Purchases at Cost £'000	Sales at Cost £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2016 £'000
Bonds	371,507	24,567	(33,544)	0	(7,276)	355,254
Equities	463,834	50,445	(27,173)	0	(36,428)	450,678
Pooled investments	878,458	45,195	(6,401)	0	(42,845)	874,407
Pooled property investments	177,139	35,385	(19,996)	0	9,835	202,363
Property	11,449	0	(3,073)	0	(995)	7,381
	1,902,387	**155,592**	**(90,187)**	**0**	**(77,709)**	**1,890,083**
Other investment balances						
Cash deposits	2,774	0	0	(1,059)	0	1,715
Amount receivable for sales investments	16	0	0	1,177	0	1,193
Investment income due	2,974	0	0	380	(381)	2,973
Tax reclaims due	321	0	0	43	0	364
Amounts payable for purchases investments	(16)	0	0	(932)	0	(948)
	1,908,456	**155,592**	**(90,187)**	**(391)**	**(78,090)**	**1,895,380**

11.3 Realised gains and losses

2015-16 £'000		2016-17 £'000
11,441	Bonds	2,796
1,336	Equities	9,683
32,948	Pooled Investments	35,128
4,971	Pooled property investments	4,508
(722)	Property	130
49,974		**52,245**

11.4 Geographical analysis of investments

Fair value 31/03/16 £'000	Geographical analysis	Fair value 31/03/17 £'000
1,032,530	UK	1,260,994
99,498	Europe (excl UK)	124,203
407,341	North America	483,243
78,408	Japan	84,628
89,054	Pacific Rim	125,034
188,549	Emerging Markets	255,575
0	International pooled funds	1,501
1,895,380		**2,335,178**

11.5 Fund manager analysis

Fair value 31/03/16 £'000	Fund manager analysis	Fair value 31/03/17 £'000
1,289,830	BlackRock	1,592,948
177,476	Schroders	184,608
33,334	Partners Group	37,095
199,874	Baillie Gifford	270,933
194,866	Columbia Threadneedle	249,594
1,895,380		**2,335,178**

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31 March 2017:

	Value as at 31/03/2017 £'000	Proportion of Investment Portfolio %
Baillie Gifford Global Alpha Fund	270,933	11.60
Threadneedle Global Equity Fund	249,594	10.69
Blackrock Ascent Life US Equity Fund	227,587	9.75
Blackrock Active Selection Fund UK	221,316	9.48
Aquila Life over 5yr UK index linked	219,346	9.39
Blackrock active selection fund - Emerging Market Index Fund	135,990	5.82

13 Investment Management Expenses

2015-16 £'000		2016-17 £'000
(3,579)	Management fees	(3,813)
(338)	Performance related fees	(180)
(49)	Custody fees	(50)
(1,767)	Transaction costs	(1,898)
(5,733)		**(5,941)**

2015-16 restated in accordance with CIPFA Management Costs guidance.

14 Financial Instruments

14.1 Classification of financial instruments

Accounting policies describe how different asset classes are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading.

2015-16					2016-17			
Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total		Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Financial assets				
355,254	0	0	355,254	Bonds	440,696	0	0	440,696
450,678	0	0	450,678	Equities	568,252	0	0	568,252
874,407	0	0	874,407	Pooled investments	1,099,372	0	0	1,099,372
202,363	0	0	202,363	Pooled property investments	212,418	0	0	212,418
7,381	0	0	7,381	Property	5,966	0	0	5,966
0	4,041	0	4,041	Cash	0	9,768	0	9,768
4,530	0	0	4,530	Other investment balances	3,840	0	0	3,840
0	6,901	0	6,901	Debtors	0	6,276	0	6,276
1,894,613	**10,942**	**0**	**1,905,555**		**2,330,544**	**16,044**	**0**	**2,346,588**
				Financial liabilities				
(948)	0	0	(948)	Other investment balances	(246)	0	0	(246)
0	0	(4,198)	(4,198)	Creditors	0	0	(3,274)	(3,274)
(948)	**0**	**(4,198)**	**(5,146)**		**(246)**	**0**	**(3,274)**	**(3,520)**
1,893,665	**10,942**	**(4,198)**	**1,900,409**	**Total**	**2,330,298**	**16,044**	**(3,274)**	**2,343,068**

14.2 Net gains and losses on financial instruments

2015-16 £'000		2016-17 £'000
	Financial assets	
(28,116)	Fair value through profit and loss	426,955
0	Loans and receivables	0
	Financial liabilities	
0	Fair value through profit and loss	0
0	Financial liabilities at amortised cost	0
(28,116)	**Total**	**426,955**

14.3 Fair value of financial instruments and liabilities

The following table summarises the carrying value of the financial assets and financial liabilities by class of instrument compared with their fair values:

Carrying value 31/03/16 £'000	Fair value 31/03/16 £'000		Carrying value 31/03/17 £'000	Fair value 31/03/17 £'000
		Financial assets		
1,480,598	1,894,613	Fair value through profit and loss	1,541,819	2,330,544
10,942	10,942	Loans and receivables	16,044	16,044
1,491,540	**1,905,555**	**Total financial assets**	**1,557,863**	**2,346,588**
		Financial liabilities		
(948)	(948)	Fair value through profit and loss	(246)	(246)
(4,198)	(4,198)	Financial liabilities at amortised cost	(3,274)	(3,274)
(5,146)	**(5,146)**	**Total financial liabilities**	**(3,520)**	**(3,520)**
1,486,394	**1,900,409**	**Total**	**1,554,343**	**2,343,068**

14.4 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. Transfers between levels are recognised in the year in which they occur.

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 interest securities, quoted index linked securities and certain unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Level 3

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

Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the value at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	1,015,985	1,097,870	216,689	2,330,544
Loans and receivables	16,044	0	0	16,044
Total financial assets	**1,032,029**	**1,097,870**	**216,689**	**2,346,588**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(246)	0	0	(246)
Financial liabilities at amortised cost	(3,274)	0	0	(3,274)
Total financial liabilities	**(3,520)**	**0**	**0**	**(3,520)**
Net financial assets	**1,028,509**	**1,097,870**	**216,689**	**2,343,068**

Fair values at 31 March 2016	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	811,788	1,049,491	33,334	1,894,613
Loans and receivables	10,942	0	0	10,942
Total financial assets	**822,730**	**1,049,491**	**33,334**	**1,905,555**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(948)	0	0	(948)
Financial liabilities at amortised cost	(4,198)	0	0	(4,198)
Total financial liabilities	**(5,146)**	**0**	**0**	**(5,146)**
Net financial assets	**817,584**	**1,049,491**	**33,334**	**1,900,409**

14.5 Fair value – Basis of valuation

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the Valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Investments – Quoted Equity	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Not required
Pooled Investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing policy	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Vanture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

14.6 Reconciliation of fair value measurements within level 3

Asset Type	Market Value 1 April 2016 £'000	Transfers into Level 3 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2017 £'000
Equities - Unquoted overseas equity	**0**	6,240	0	0	0	(22)	0	**6,218**
Property	**33,334**	173,914	0	14,386	(13,906)	(2,346)	5,089	**210,471**
Total	**33,334**	**180,154**	**0**	**14,386**	**(13,906)**	**(2,368)**	**5,089**	**216,689**

14.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2016-17.

15 Nature and extent of risks arising from financial instruments

15.1 Risk and risk management

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website - www.dyfedpensionfund.org.uk

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 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 Authority 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 Panel. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

15.2 Market risk

Market risk is the risk of loss from fluctuations in equity prices and interest and foreign exchange rates. 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 strategy 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 Panel and its

independent investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

- The exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments
- By investing in a diverse portfolio in terms of managers and investments and again by the actuary only anticipating a long-term return on a relatively prudent basis to reduce risk of under-performing

15.3 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 share 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. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Panel to ensure it is within limits specified in the Fund's investment strategy.

15.4 Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities shown below, are consistent with a one standard deviation movement in the change in value of the assets over the latest three years:

Asset Type	Potential market movements (+/-)
Cash	1.90%
UK Equities	9.60%
Overseas Equities	12.30%
Global Pooled Equities inc UK	9.20%
UK Corporate Bonds	7.80%
Index Linked Securities	13.70%
Property	4.80%

Had the market price of the Fund increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows:

Asset Type	Value as at 31 March 2017 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Cash	4,880	1.90%	4,973	4,787
UK Equities	568,252	9.60%	622,805	513,700
Overseas Equities	578,845	12.30%	650,042	507,647
Global Pooled Equities inc UK	520,527	9.20%	568,415	472,638
UK Corporate Bonds	221,350	7.80%	238,615	204,085
Index Linked Gilts	219,346	13.70%	249,397	189,296
Property	218,384	4.80%	228,866	207,901
Sales receivable	258	0.00%	258	258
Purchases payable	(246)	0.00%	(246)	(246)
Income receivables	3,582	0.00%	3,582	3,582
Total Assets	**2,335,178**		**2,566,707**	**2,103,648**

Asset Type	Value as at 31 March 2016 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Cash	1,715	0.01%	1,715	1,714
UK Equities	450,678	10.66%	498,720	402,636
Overseas Equities	479,667	10.25%	528,833	430,501
Global Pooled Equities inc UK	394,740	10.08%	434,530	354,950
UK Corporate Bonds	178,145	6.23%	189,243	167,046
Index Linked Gilts	177,109	9.45%	193,846	160,373
Property	209,744	1.96%	213,855	205,633
Sales receivable	1,209	0.00%	1,209	1,209
Purchases payable	(964)	0.00%	(964)	(964)
Income receivables	3,337	0.00%	3,337	3,337
Total Assets	**1,895,380**		**2,064,324**	**1,726,435**

15.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at 31 March 2017 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities - Unquoted overseas	6,218	12.30%	6,983	5,453
Property	210,471	4.80%	220,574	200,369
Total Level 3 Assets	**216,689**		**227,557**	**205,822**

15.5 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 risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

The actuary, as part of their triennial valuation and dictated by the Funding Strategy Statement, will only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Progress is analysed at three yearly valuations for all employers.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/16	Asset type	31/03/17
£'000		£'000
1,715	Cash and cash equivalents	4,880
2,326	Cash held at CCC	4,888
355,254	Bonds	440,696
359,295	**Total**	**450,464**

15.6 Interest rate risk sensitivity analysis

Interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

Asset type	Value as at 31/03/17	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	4,880	49	(49)
Cash held at CCC	4,888	49	(49)
Bonds	440,696	4,407	(4,407)
Total change in available assets	**450,464**	**4,505**	**(4,505)**

Asset type	Value as at 31/03/16	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	1,715	17	(17)
Cash held at CCC	2,326	23	(23)
Bonds	355,254	3,553	(3,553)
Total change in available assets	**359,295**	**3,593**	**(3,593)**

15.7 Discount Rate

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

15.8 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 (£ GBP Sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than £ GBP Sterling.

The Fund's currency rate risk is routinely monitored by the Panel in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.
The following table summarises the Fund's currency exposure as at 31 March 2017 and as at 31 March 2016:

Fair value 31/03/16	Asset type	Fair value 31/03/17
833,807	Overseas Equities	1,039,211
29,011	Property	34,973
32	Cash	0
862,850	**Total**	**1,074,184**

15.9 Currency risk sensitivity analysis

The aggregate currency exposure within the Fund as at 31 March 2017 was 8.30% (2015-16: 6.23%).

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

A 8.30% 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	Fair value 31/03/17	Change in year in the net assets available to pay benefits	
		+8.30%	-8.30%
	£'000	£'000	£'000
Overseas equities	1,039,211	86,255	(86,255)
Property	34,973	2,903	(2,903)
Cash	0	0	0
Total change in available assets	**1,074,184**	**89,158**	**(89,158)**

Asset type (Restated)	Fair value 31/03/16	Change in year in the net assets available to pay benefits	
		+6.23%	-6.23%
	£'000	£'000	£'000
Overseas equities	833,807	51,946	(51,946)
Property	29,011	1,807	(1,807)
Cash	32	2	(2)
Total change in available assets	**862,850**	**53,755**	**(53,755)**

15.10 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 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. 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.

Employers in the Fund are not currently assessed for their creditworthiness or individual credit limits set. There is risk of being unable to collect contributions from employers with no contributing members (e.g. risk associated with employers with a small number of declining contributing members) so Carmarthenshire County Council monitors membership movements on an annual basis.

New employers to the Fund have to agree to the provision of a bond to prevent the risk of future financial loss to the Fund in the event of not being able to meet its pension liability on cessation. Carmarthenshire County Council currently guarantees to meet any future liabilities falling on the Fund as a result of cessation. This is done to ensure that actuarial recovery periods and amounts are kept at a manageable level for smaller employers.

No collateral is held as security on financial assets. Carmarthenshire County Council does not generally allow credit to employers.

All investments held by investment managers are held in the name of the Dyfed Pension Fund at the custodian – Northern Trust, so if the investment manager fails the Fund's investments are not classed amongst the manager's assets.

Any cash held is in the Carmarthenshire County Council accounts and is invested in line with Carmarthenshire County Council's approved credit rated counterparty list.

15.11 Liquidity risk

This refers to the possibility that the Fund might not have sufficient Funds available to meet its commitments to make payments.

Carmarthenshire County Council has a comprehensive cash flow management system that seeks to ensure that cash is available when needed.

The amount held in the Fund's bank accounts meet the normal liquidity needs of the Fund and any surplus cash is invested. The Fund's actuaries establish what contributions should be paid in order that all future liabilities can be met.

The investments of the Fund are mainly of a liquid nature. Although any forced liquidation of the investments may be subject to a financial loss.

16 Current assets

31/03/16 £'000		31/03/17 £'000
	Contributions due from employer	
4,956	- Employer	4,468
1,432	- Employee	1,456
2,326	Cash Balances	4,888
513	Debtors	352
9,227		**11,164**

16.1 Analysis of Current assets

31/03/16 £'000		31/03/17 £'000
2	HMRC	1
0	Central government bodies	0
8,016	Other local authorities	9,906
1	NHS bodies	1
1	Public corporations and trading funds	1
1,207	Other entities and individuals	1,255
9,227		**11,164**

17 Current liabilities

31/03/16 £'000		31/03/17 £'000
(2,206)	Unpaid benefits	(1,823)
(1,992)	Creditors	(1,451)
(4,198)		**(3,274)**

17.1 Analysis of Current liabilities

31/03/16 £'000		31/03/17 £'000
(586)	HMRC	(609)
0	Central government bodies	0
(454)	Other local authorities	(67)
0	NHS bodies	0
(670)	Public corporations and trading funds	(417)
(2,488)	Other entities and individuals	(2,181)
(4,198)		**(3,274)**

18 Additional Voluntary Contributions (AVC)

Occupational Pension Schemes are required by Statute to provide in-house AVC arrangements. The Fund has joint providers: Prudential, Standard Life and Equitable Life, where a range of investment options are available.

It is for individual Scheme members to determine how much they contribute (subject to HMRC limits) and the investment components or its mix.

The contributions made to separately invested AVC schemes and the value of these investments as at the balance sheet date are shown below:

AVC Provider	Value as at 31/03/16 £ '000	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/17 £ '000
Prudential	2,858	1,009	(469)	369	3,767
Equitable Life	585	23	(99)	40	549
Standard Life	3,435	605	(674)	325	3,691
Total	**6,878**	**1,637**	**(1,242)**	**734**	**8,007**

19 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2013. The last such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2016-17.

20 Related Party Transactions

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund.

The Authority incurred costs of £0.929 million (2015-2016: £0.889 million) 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 £31.756 million to the Fund in 2016-2017 (2015-2016: £31.149 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2017, the Fund had an average investment balance of £6.58 million (2015-2016: £4.73 million) earning interest of £26,558 (2015-2016: £26,180).

20.1 Governance

Pension Panel

There are three members and one substitute member of the Pension Panel. During 2016-17 these were Councillor Wyn Evans, Councillor Siân Thomas (active member), Councillor Terry Davies MBE (active member) and the substitute was Councillor Philip Hughes (active member).

The Director of Corporate Services, Mr Chris Moore, who has the role of Section 151 Officer for the Authority, played a key role in the financial management of the Fund and is also an active member of the Fund.

The Panel members, and the Senior Officers that advise the Panel, are required to declare their interest at each meeting.

The Panel members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

A local Pension Board was approved by County Council on the 11th February 2015 effective from 1st April 2015 in line with the Public Service Pension Act 2013. It consists of three employer representatives, three member representatives and an independent chair.

For more details, and to view the Governance Policy, please refer to the Fund's website – www.dyfedpensionfund.org.uk and the Annual Report and Accounts 2016-17.

20.2 Key Management Personnel

The key management personnel of the fund is the Section 151 Officer. Total remuneration payable to key management personnel is set out below:

31/03/16 £'000		31/03/17 £'000
12	Short-term benefits	13
3	Post-employment benefits	3
15		**16**

21 Employing bodies contribution rates, contributions receivable and benefits payable

2015-16					2016-17			
Contribution rate %	Deficit Contribution £'000	Contri-butions £'000	Benefits payable £'000		Contribution rate %	Deficit Contribution £'000	Contri-butions £'000	Benefits payable £'000
				Scheduled bodies				
12.9	4,690	26,459	31,650	Carmarthenshire County Council	12.9	5,019	26,753	32,822
13.5	1,107	13,776	14,600	Pembrokeshire County Council	13.5	1,152	14,103	16,322
13.6	730	10,008	10,792	Ceredigion County Council	13.6	760	9,949	9,927
11.6	389	3,455	2,048	Office for the Police & Crime Commissioner for Dyfed-Powys	11.6	405	3,643	2,066
13.5	133	1,167	930	Mid & West Wales Fire Authority	13.5	138	1,389	1,139
15.2	(1)	275	224	Coleg Ceredigion	15.2	(1)	281	340
14.3	139	1,244	1,046	Coleg Sir Gar	14.3	144	1,211	836
15.1	(24)	592	681	Pembrokeshire Coast National Park Authority	15.1	(25)	591	821
12.8	55	851	258	Pembrokeshire College	12.8	57	847	281
	7,218	57,827	62,229			7,649	58,767	64,554
				Designated (Resolution) bodies				
20.0	2	3	53	Aberystwyth Town Council	20.0	2	4	13
12.6	0	1	0	Aberaeron Town Council	12.6	0	1	0
18.6	13	71	123	Carmarthen Town Council	18.6	14	72	95
18.7	0	6	0	Cwmamman Town Council	18.7	0	14	0
27.7	1	5	5	Gorslas Community Council	27.7	1	5	4
24.4	0	9	30	Haverfordwest Town Council	24.4	0	11	30
27.6	7	9	14	Kidwelly Town Council	27.6	7	13	12
17.3	0	2	1	Llanbadarn Fawr Community Council	17.3	0	2	1
21.2	0	1	1	Llanarthne Community Council	21.2	0	1	1
14.6	11	196	136	Llanelli Rural Council	14.6	12	185	200
17.8	8	52	74	Llanelli Town Council	17.8	8	100	76
12.8	0	6	0	Llangennech Community Council	12.8	0	6	0
18.2	4	21	7	Llannon Community Council	18.2	4	23	7
23.5	3	25	7	Pembrey & Burry Port Town Council	23.5	3	30	7
13.0	(1)	6	12	Tenby Town Council	13.0	(1)	6	12
12.0	0	9	3	Pembroke Town Council	12.0	0	10	1
8.5	0	7	0	Pembroke Dock Town Council	8.5	0	7	0
24.9	0	3	0	Pontyberem Community Council	24.9	0	0	0
	48	432	466			50	490	459

(continued overleaf)

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2015-16					2016-17			
Contribution rate %	Deficit Contribution £'000	Contri-butions £'000	Benefits payable £'000		Contribution rate %	Deficit Contribution £'000	Contri-butions £'000	Benefits payable £'000
				Admission bodies				
				Community Admission Body (CAB)				
26.1	(12)	1	26	Cardigan Swimming Pool	26.1	(12)	0	14
13.2	13	31	17	Ceredigion Association of Voluntary Org.	13.2	13	32	19
13.3	40	937	892	Careers Wales	13.3	42	811	891
11.7	6	38	38	Carmarthenshire Association of Voluntary Services	11.7	6	31	46
26.5	(5)	11	0	Carmarthenshire Federation of Young Farmers Clubs	26.5	(5)	9	0
17.9	0	34	84	Iaith Cyf	17.9	0	16	39
20.0	5	3	16	Leonard Cheshire Disability	20.0	5	3	16
0.0	0	0	0	Llanedi Community Council	21.7	0	7	0
18.1	5	32	37	Llanelli Burial Board	18.1	5	29	49
7.8	3	60	0	Menter Bro Dinefwr	7.8	3	55	27
11.5	15	35	28	Menter Cwm Gwendraeth	11.5	16	33	31
7.4	0	15	0	Menter Gorllewin Sir Gar	7.4	0	16	0
23.7	1	12	40	Menter Iaith Castell-Nedd Port Talbot	23.7	1	21	10
16.0	1	10	2	Narberth & District Community & Sports Association	16.0	2	9	2
14.5	4	60	33	Pembrokeshire Association of Voluntary Services	14.5	4	63	23
12.6	7	57	40	PLANED	12.6	7	45	33
13.4	0	1	26	PRISM	13.4	0	0	73
14.2	(41)	301	179	Tai Ceredigion	14.2	(42)	265	320
16.5	101	582	529	University of Wales-Trinity St David	16.5	105	607	563
22.5	74	10	189	Aberystwyth University	22.5	77	11	228
15.1	22	254	374	Welsh Books Council	15.1	22	222	371
13.8	6	32	40	West Wales Action for Mental Health	13.8	6	34	40
17.8	1	56	44	Valuation Tribunal Wales	17.8	1	52	44
13.5	0	3	0	Swim Narberth	13.5	0	7	0
	246	2,575	2,634			256	2,378	2,839
				Transferee Admission Body (TAB)				
14.9	0	0	0	Garnant Golf Club Ltd	14.9	0	0	0
19.3	(4)	87	70	Grwp Gwalia	19.3	(4)	17	36
21.5	0	25	45	Danfo	21.5	0	15	6
20.3	0	219	93	Human Support Group (HSG)	20.3	0	175	198
	(4)	331	208			(4)	207	240
				Bodies with no pensionable employees				
0.0	0	6	7	DVLA	0.0	0	5	6
0.0	0	51	352	Dyfed Powys Magistrates Courts	0.0	0	51	325
0.0	0	1	6	Carmarthen Family Centre	0.0	0	1	5
0.0	0	1	5	Milford Haven Town Council	0.0	0	1	2
0.0	0	0	2	Mencap	0.0	0	0	2
0.0	0	0	8,615	Dyfed County Council	0.0	0	0	8,198
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	8	8	NHS	0.0	0	6	7
0.0	0	13	42	Welsh Water	0.0	0	13	42
0.0	0	0	7	Cwm Environmental	0.0	0	0	7
0.0	0	0	5	Cartrefi Cymru	0.0	0	0	5
0.0	0	1	1	Rent Officer Service	0.0	0	1	1
	0	81	9,052			0	78	8,602
	7,508	**61,246**	**74,589**	**Total**		**7,951**	**61,920**	**76,694**

21.1 Bodies with No Pensionable Employees

It has been assumed that for the following bodies, the proportion of pension increases stated below will continue to be recharged.

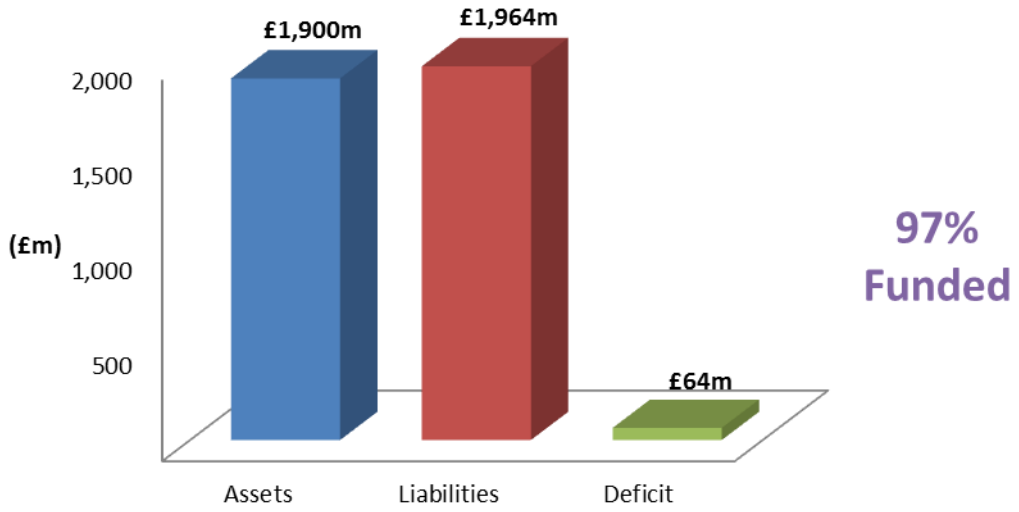
	Proportion to be recharged %
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

22 Actuarial Statement

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,900 million represented 97% of the Fund's past service liabilities of £1,964 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £64 million.



The valuation also showed that a Primary contribution rate of 15.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 17 years, and the total initial recovery payment (the "Secondary rate") for 2017/18 is approximately £3.6 million (this allows for some employers to phase

in any increases). For all employers, the Secondary rate will increase at 3.7% per annum, except where phasing has been applied. With the agreement of the Administering Authority employers may also opt to pay some of their deficit contributions early in return for a suitably agreed reduction.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017. In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) where there is no allowance in the contribution rate will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2017 (the 31 March 2016 assumptions are included for comparison):

	31 March 2016	31 March 2017
Rate of return on investments (discount rate)	3.6% per annum	2.5% per annum
Rate of pay increases*	3.5% per annum	3.8% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3% p.a. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year end has also changed to allow for short-term public sector pay restraint which serves to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2016 was estimated as £2,337 million. Interest over the year increased the liabilities by c£84 million, and allowing for net benefits accrued/paid over the period increased them by c£13 million (after allowing for any increase in liabilities arising as a result of early retirements/ augmentations). There was then a further increase in liabilities of £563 million made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £2,997 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2017

23 Events after the balance sheet date

Passive Equity Transition

During April 2017, the Dyfed Pension Fund transitioned all of its passive equity assets, approx. £570m, into passive pooled equity funds with BlackRock as a result of a joint procurement exercise with all 8 Wales funds.

Pension Panel

Following retirements and the County Council elections in May 2017 the pension panel membership is:

Cllr Elwyn Williams (Chairman)
Cllr Jim Jones
Cllr John Prosser
Cllr Dai Thomas (Substitute)

These events do not require any adjustments to these accounts.

24 Wales Pension Investments Pooling

Following HM Government's approval of the Wales Investment Pool in November 2016, a Financial Conduct Authority regulated Third Party Pool Operator will be appointed in summer 2017 to manage the investments and the reduction of investment management expenses for all 8 Wales funds. An Inter Authority Agreement, the legal framework for establishing a Joint Governance Committee has been approved by all 8 administering authorities with a officer Working Group which will act as advisors to the JGC.

Carmarthenshire County Council has been selected as the Host Authority to provide administrative and secretarial support and implement decisions made by the Joint Governance Committee.

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Dyfed Pension Fund

Budget Monitoring

1st April 2017 - 31st August 2017

	Budget Type	Actual 2016-17	Budget 2017-2018	Total income/ expenditure to date	Forecast Commitments	Actual income/ expenditure at year end	End of year variance		Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%	
Expenditure									
Benefits Payable	Both	**71,900**	**72,201**	**28,804**	**41,052**	**69,856**	**-2,345**	**-3.2**	
Pensions Payable	Controllable	57,025	59,201	24,402	34,554	58,956	-245		2.5% additional budget includes new pensioners and pension increase. Forecast increase now estimated at 2.2%.
Commutation and lump sum retirement benefits	Non Controllable	13,041	11,500	4,059	5,941	10,000	**-1,500**		Forecast based on activity to date
Lump sum death benefits	Non Controllable	1,834	1,500	343	557	900	**-600**		Forecast based on activity to date
Payments to and account of leavers	Non Controllable	**3,452**	**4,100**	**802**	**1,298**	**2,100**	**-2,000**	**-48.8**	Forecast based on activity to date
Management Expenses		**5,531**	**6,199**	**1,970**	**4,273**	**6,243**	**44**	**0.7**	
Computer Software	Controllable	205	300	180	120	300	0		Budget includes £40k website host fees
Printing charges	Controllable	21	25	9	12	21	-4		
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	76	71	26	47	73	2		
Fund Managers									
BlackRock	Controllable	1,085	1,360	51	1,160	1,211	-149		Budget based on management fees before discounted fees now charged as part of the Wales Pension Partnership joint procurement of passive equities.
Baillie Gifford	Controllable	980	1,040	284	855	1,139	99		Quarterly fees based on June 17 invoices
Columbia Threadneedle	Controllable	860	900	237	711	948	48		Quarterly fees based on June 17 invoices
Schroders	Controllable	469	480	-4	480	476	-4		Quarterly fees based on June 17 invoices
Partners Group	Controllable	599	700	186	555	741	41		Quarterly fees based on June 17 invoices
Custodian									
Northern Trust	Controllable	50	56	-3	56	53	-3		
Actuary									
Mercer	Controllable	90	68	24	60	84	16		£16k fees relating to 16-17. Amount was not declared for accrual due to delayed invoicing by Mercer.
Performance Manager									
National Framework Providers	Controllable	4	20	1	19	20	0		
Independent Advisor									
E. Lambert	Controllable	19	19	8	11	19	0		
Other									
Euraplan, LSE, Allenbridge	Controllable	26	21	6	14	20	-1		
All Wales Pooling	Controllable	89	100	0	100	100	0		New budget introduced for costs for pooling.
Central recharges	Non Controllable	929	1,010	956	54	1,010	0		Restructure of pensions administration team
Audit fees	Controllable	29	29	9	19	28	**-1**		
Total Expenditure		**80,883**	**82,500**	**31,576**	**46,623**	**78,199**	**-4,301**		
Income									
Contributions									
Employer	Controllable	**-47,261**	**-48,187**	**-19,729**	**-29,276**	**-49,005**	**-818**	**1.7**	2017-18 budget based on January 17 contributions including 1% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results
Member	Controllable	**-17,815**	**-17,823**	**-7,546**	**-10,471**	**-18,017**	**-194**	**1.1**	2017-18 budget based on January 17 contributions including 1% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results
Investment Income	Controllable	**-18,595**	**-16,166**	**-5,742**	**-13,000**	**-18,742**	**-2,576**	**15.9**	Dividend income receipts now finished due to the transition of passive segregated equities into pooled funds.
Other Income	Controllable	**-58**	**-60**	**0**	**-60**	**-60**	**0**	**0.0**	
Transfers in from other pension funds	Non Controllable	**-1,889**	**-2,000**	**-192**	**-1,808**	**-2,000**	**0**	**0.0**	
Total Income		**-85,618**	**-84,236**	**-33,209**	**-54,615**	**-87,824**	**-3,588**		
Cash Transfer to Fund Managers	Cash	**2,500**	**0**	**6,900**	**0**	**6,900**	**6,900**		£5m BlackRock and £1.9m Partners Group
Net Total of Cash Related Items		**-2,235**	**-1,736**	**5,267**	**-7,992**	**-2,725**	**-989**		
Indirect Transactional Management Fees	Non Cash	**1,898**	**650**	**0**	**1,500**	**1,500**	**850**		New CIPFA Management cost guidance. Estimate based on 16-17 with a reduction due to the move from segregated passive to pooled funds
Investment Income	Non Cash	**-12,866**	**-8,150**	**-3,342**	**-8,562**	**-11,904**	**-3,754**	**46.1**	Dividend income retained within the fund
Realised gain/loss	Non Cash	**-52,245**	**-50,000**	**-112,888**	**0**	**-112,888**	**-62,888**	**125.8**	
Net Total of Non-Cash Related Items		**-65,448**	**-59,236**	**-110,963**	**-15,054**	**-126,017**	**-66,781**		

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Dyfed Pension Fund Cash Reconciliatio		**July 2017**
Balance b/f 1st April 2017		£7,889,853.14
Investment trades		
Sales	218,728,484.69	
Purchases	-228,767,224.59	
		-£10,038,739.90
Contributions received	£29,292,685.70	
Payments made	-£25,138,900.33	
Dividend Income	£8,903,905.17	£13,057,690.54
		£10,908,803.78
Total Available for Investment		**£10,908,803.78**
Represented by :		
Cash at Carmarthenshire		£11,287,972.23
Cash due to be received/deducted		£0.00
CCC Debtors		-£29,092.71
CCC Creditors		-£350,075.74
		£10,908,803.78

Mae'r dudalen hon yn wag yn fwriadol

Breaches Report

Breach Number	Year	Date of Breach / Likely Breach	Failure Type	A description of the breach (including relevant dates), its cause and effect, including the reasons it is, or is not, believed to be of material significance	Been reported to tPR before	RAG Status	Report to tPR	Actions taken to rectify the breach. A brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future
1	2016-17	22/11/16 22/12/16	Contributions	Oct EES (£1,139.27) & Nov ERS (£2,897.77) contributions not received until 24/11/16 & 26/12/16 respectively - 3 & 6 days late. **Cause**: EES - not contacted, received within 3 days, ERS - miscommunication internally within departments **Effect**: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date
2	2016-17	22/5/16 22/6/16	Contributions	April (£17,067.42) & May (£16,700.40) contributions not received until 3/6/16 & 24/6/16 respectively - 12 & 2 days late. **Cause**: Inadequate system in place **Effect**: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since June
3	2016-17	22/5/16 22/6/16 22/7/16	Contributions (PSD)	April, May & June (£3,999.99) Past Service Deficit payment not received until 3/6/16, 30/6/16 & 28/7/16 respectively - 12, 8 and 6 days late. **Cause**: Internal issues, now resolved **Effect**: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since July
4	2016-17	22/5/16 22/6/16 22/7/16 22/9/16	Contributions (PSD)	April, May, June & September (£377) Past Service Deficit payment not received until 25/7/16, 25/7/16, 25/7/16 & 5/10/16 respectively - 64, 33, 3 and 13 days late. **Cause**: Staff changes and banking issues **Effect**: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since September
5	2016-17	19/7/16	Contributions	Apr - June (£452.58) quarterly contributions not received until 30/8/16 - 42 days late. **Cause**: The cheque had gone lost, new cheque issued once we managed to get hold of her **Effect**: Contributions now been received and next quarters paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid the last quarterly contributions on time
6	2016-17	19/10/16	Contributions	July - September (£6,102.79) quarterly contributions not received until 1/11/16 - 13 days late. **Cause**: On annual leave, no cover **Effect**: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions up to date
7	2016-17	19/10/16	Contributions	September (£1,203.40) contributions not received until 26/10/16 - 7 days late. **Cause**: On annual leave, no cover **Effect**: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since October
8	2016-17	22/10/16	Contributions	September (£591.73) contributions not received until 31/10/16 - 9 days late. **Cause**: On annual leave, no cover **Effect**: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since October
9	2016-17	22/11/16	Contributions (PSD)	October (£525) Past Service Deficit payment not received until 28/11/16 - 7 days late. **Cause**: On annual leave, no cover **Effect**: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date
10	2016-17	19/1/17	Contributions	December (£2,492.10) contributions not received until 30/1/17 - 11 days late. **Cause**: Usual employee on annual leave, left for a colleague to action but not done **Effect**: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date

11	2016-17	19/1/17	Contributions (PSD)	December (£91) Past Service Deficit payment not received until 14/2/17 - 26 days late. **Cause**: Due to staff changes, MCNPT have had problems getting 2 new authorised signatories for online payments. **Effect**: Contributions now been received-payment has been made up until 31/3/17	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
12	2016-17	17/2/17	Contributions	January (£578.17) contributions not received until 24/02/2017 - 2 days late. **Cause**: payment overlooked by staff. **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
13	2016-17	17/3/17	Contributions	February (£106,820.56) contributions not received until 29/03/2017 - 7 days late. **Cause:** Accountancy Manager on sick leave - payment overlooked by other staff . **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
14	2016-17	17/3/17	Contributions (PSD)	February (£1,333.33) Past Service Deficit payment not received until 24/03/2017 - 7 days late. **Cause**: Finance Manager forgot to do payment. **Effect**: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
15	2016-17	22/4/17	Contributions	March (£2,626.38) contributions not received until 25/04/2017 - 3 days late (BACS). **Cause**: Finance Officers were not at work when payment was due to be made (see email). **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
16	2016-17	19/4/17	Contributions	March (£1,438.04) contributions not received until 21/04/2017 - 2 days late. **Cause:** The only person who can process the payment was on leave during April (see email). **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
17	2017-18	19/7/17	Contributions	June (£1,664.93) contributions not received until 24/07/2017 - 5 days late. **Cause:** Received late due to Royal Mail. Clerk states that payment was sent to us before 19th of month (payment is normally received early-see email). **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
18	2017-18	19/7/17	Contributions	June (£1,462.27) contributions not received until 20/07/2017 - 1 day late. **Cause:** Email received 14/07/2017 informing us that the payment will be late due to Gorslas CC moving to Pay Connect and 1 employee was late returning a form. **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
19	2017-18	22/7/17	Contributions (PSD)	April-June (£4,181) Past Service Deficit payment not received until 28/07/2017 - 6 days late. **Cause:** Finance Officer off sick and works part-time. **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
20	2017-18	22/7/17	Contributions (PSD)	June (£550) Past Service Deficit payment not received until 25/07/2017 - 3 days late. **Cause:** Finance Officer was on leave (see email). **Effect:** Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.

Dyfed Pension Fund Committee 21 September 2017

Implementation of the Markets in Financial Instruments Derivative (MiFID II)

Report summary

This report outlines the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to the administering authority of becoming a retail client on 3rd January 2018 and recommends that the committee agree that elections for professional client status should be made on behalf of the authority immediately.

Recommendations: That the pensions committee

i. Notes the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018.

ii. Agrees to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.

iii. In electing for professional client status, the committee acknowledges and agrees to forgo the protections available to retail clients attached as **APPENDIX 1**.

iv. Delegates the Section 151 Officer the appropriate approvals for the purposes of completing the applications and determining the appropriate basis of the application.

Context

1. Under the current UK regime, local authorities are automatically categorised as 'per se professional' clients in respect of non‑MiFID scope business and are categorised as 'per se professional' clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain 'opt-up criteria'.

2. Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") from 3 January 2018, firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt ("local authority") as a 'per se professional client' or elective eligible counterparty (ECP) for both MiFID and non-MiFID scope

business. Instead, all local authorities must be classified as “retail clients” unless they are opted up by firms to an ’elective professional client’ status.

3. Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client.

Potential impact

4. A move to retail client status would mean that all financial services firms like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer’s needs, and that all the risks and features have been fully explained. This provides a higher standard of protection for the client but it also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.

5. Such protections would come at the price of local authorities not being able to access the wide range of assets needed to implement an effective, diversified investment strategy. Retail status would significantly restrict the range of financial institutions and instruments available to authorities. Many institutions currently servicing the LGPS are not authorised to deal with retail clients and may not wish to undergo the required changes to resources and permissions in order to do so.

6. Even if the institution secures the ability to deal with retail clients, the range of instruments it can make available to the client will be limited to those defined under Financial Conduct Authority (FCA) rules as ‘non-complex’ which would exclude many of the asset classes currently included in LGPS fund portfolios. In many cases managers will no longer be able to even discuss (‘promote’) certain asset classes and vehicles with the authority as a retail client.

Election for professional client status

7. MiFID II allows for retail clients which meet certain conditions to elect to be treated as professional clients (to ‘opt up’). There are two tests which must be met by the client when being assessed by the financial institution: the quantitative and the qualitative test.

8. The Local Government Pension Scheme Advisory Board (SAB) and the Local Government Association (LGA) along with the Department for Communities

and Local Government (DCLG) and the Investment Association (IA) have successfully lobbied the FCA to make the test better fitted to the unique situation of local authorities.

9. The new tests recognise the status of LGPS administering authorities as providing a 'pass' for the quantitative test while the qualitative test can now be performed on the authority as a collective rather than an individual. A summary of and extracts from the FCA policy statement which set out these new tests is attached as **APPENDIX 2**

10. The election to professional status must be completed with all financial institutions prior to the change of status on 3rd January 2018. Failure to do so by local authorities would result in the financial institution having to take 'appropriate action' which could include a termination of the relationship at a significant financial risk to the authority.

11. The SAB and the LGA have worked with industry representative bodies including the IA, the British Venture Capital Association (BVCA) and others to develop a standard opt-up process with letter and information templates. This process should enable a consistent approach to assessment and prevent authorities from having to submit a variety of information in different formats.

12. A flowchart of the process is attached as **APPENDIX 3** and the letter and information templates are attached as **APPENDICES 4 and 5.**

13. Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only. A local authority may wish to do the latter where the institution offers a wide range of complex instruments which the authority does not currently use and there is no intention to use the institution again once the current relationship has come to an end, for example, if the next procurement is achieved via the LGPS pool. It is recommended that officers determine the most appropriate basis of the application, either via full or single service.

14. Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status, for example, if the membership of the committee changed significantly resulting in a loss of experience, or if the relationship with the authority's investment advisor was terminated.

Wales Pension Partnership Investment Pool

15. LGPS pools will be professional investors in their own right so will not need to opt up with the external institutions they use. Local authorities will however need to opt up with their LGPS pool in order to access the full range of services and sub-funds on offer.

16. In some circumstances, in particular where the pool only offers access to fund structures such as Authorised Contractual Scheme (ACS), the pool could use ‘safe harbour’ provisions resulting from local authorities continuing to be named as professional investors in both the Financial Promotion Order (the “FPO”) or in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order (the “PCISO”). These provisions would enable the promotion and potential sale of units in fund structures to local authorities as retail investors.

17. Elections to professional status will be needed for every financial institution that the authority uses outside of the pool, both existing and new, together with a continuing review of all elections. If all new purchases are made via fund structures within the pool then no new elections will be required, only an ongoing review of the elections made with the pool and any legacy external institutions, the number of which would reduce as assets are liquidated and cash transferred.

Next steps

18. In order to continue to effectively implement the authority’s investment strategy after 3rd January 2018, applications for election to be treated as a professional clients should be submitted to all financial institutions with whom the authority has an existing or potential relationship in relation to the investment of the pension fund.

19. This process should commence as soon as possible in order to ensure completion in good time and avoids the need for appropriate action to be taken by institutions in relation to the authority’s pension fund investments.

20. The Section 151 Officer should be granted the necessary delegation to make applications on the authority’s behalf.

Attachments

APPENDIX 1 – Retail client protections

APPENDIX 2 – Summary of FCA policy statement

APPENDIX 3 – Opt up process flowchart

APPENDIX 4 – Opt up letter template

APPENDIX 5 – Opt up information template

Warnings - loss of protections as a Professional Client

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This document contains, for information purposes only, a summary of the protections that you will lose if you request and agree to be treated as a Professional Client.

1. **Communicating with clients, including financial promotions**

As a Professional Client the simplicity and frequency in which the firm communicates with you may be different to the way in which they would communicate with a Retail Client. They will ensure however that our communication remains fair, clear and not misleading.

2. **Information about the firm, its services and remuneration**

The type of information that the firm provides to Retail Clients about itself, its services and its products and how it is remunerated differs to what the firm provides to Professional Clients. In particular,

(A) The firm is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients; and

(B) there are particular restrictions on the remuneration structure for staff providing services to Retail Clients which may not be applicable in respect of staff providing services to Professional Clients;

(C) the information which the firm provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, they are required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

(D) when handling orders on behalf of Retail Clients, the firm has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. **Suitability**

In the course of providing advice or in the course of providing discretionary management services, when assessing suitability for Professional Clients, the firm is entitled to assume that in relation to the products, transactions and services for which you have been so classified, that you have the necessary level of experience and knowledge to understand the risks involved in the management of your investments. The firm will assess this information separately for Retail Clients and would be required to provide Retail Clients with a suitability report.

4. **Appropriateness**

For transactions where the firm does not provide you with investment advice or discretionary management services (such as an execution-only trade), it may be required to assess whether the transaction is appropriate. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment

knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, the firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. **Dealing**

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in any execution.

6. **Reporting information to clients**

For transactions where the firm does not provide discretionary management services (such as an execution-only transactions), the timeframe for our providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. **Client reporting**

Investment firms that hold a retail client account that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. **Financial Ombudsman Service**

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Hence, depending on how you are constituted you may not have access to the Financial Services Compensation Scheme.

10. **Exclusion of liability**

The FCA rules restrict the firm's ability to exclude or restrict any duty of liability which the firm owes to Retail Clients more strictly than in respect of Professional Clients.

11. **Trading obligation**

In respect of shares admitted to trading on a regulated market or traded on a trading venue, the firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. **Transfer of financial collateral arrangements**

As a Professional Client, the firm may conclude title transfer financial collateral arrangements with you for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. **Client money**

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

It should be noted that at all times you will have the right to request a different client categorisation and that you will be responsible for keeping the firm informed of any change that could affect your categorisation as a Professional Client.

Mae'r dudalen hon yn wag yn fwriadol

FCA Markets in Financial Instruments Directive II Implementation – Policy Statement II

The matters relating to the reclassification of local and public authorities as retail are covered in Chapter 8 pages 64 to 74 of the full document https://www.fca.org.uk/publication/policy/ps17-14.pdf

Highlights (see highlighted sections following for context)

1. Firms may take a collective view of the expertise, experience and knowledge of committee members, taking into account any assistance from authority officers and external advisers where it contributes to the expertise, experience and knowledge of those making the decisions

2. Governance and advice arrangements supporting those individuals can inform and contribute to the firm's assessment

3. Adherence to CIPFA Codes or undertaking other relevant training or qualifications may assist in demonstrating knowledge and expertise as part of the qualitative test

4. Rules will add a fourth criterion that the client is subject to the LGPS Regulation for their pension administration business. Local authorities must continue to meet the size requirement, as well as one of the two previous criteria or the new fourth criterion

5. Compliance with the LGPS Regulations, including taking proper advice, will contribute to the assessment of knowledge and expertise of the local authority client when making decisions

6. Retain the 10 transactions on average per quarter test as one of the four available criteria for enabling a local authority body to opt up.

7. Firms may reasonably assess that a professional treasury manager has worked in the financial sector for at least one year, if their role provides knowledge of the provision of services envisaged

8. Changed the portfolio size threshold to £10m

9. Proposed transitional arrangements that would allow investment firms to re-assess the categorisation of local authority clients between the 3 July 2017 implementation deadline and 3 January 2018 are being taken forward

Page 67 Our response on the qualitative test

MiFID II requires the qualitative test to be applied to local authorities seeking to opt-up to professional client status, with the test itself unchanged from MiFID. It is important that an investment firm is confident that a client can demonstrate their expertise, experience and knowledge such that the firm has gained a reasonable assurance that the client is capable of making investment decisions and understanding the nature of risks involved in the context of the transactions or services envisioned.

COBS 3.5.4 requires that the qualitative test should be carried out for the person authorised to carry out transactions on behalf of the legal entity. 'Person' in this context may be a single person or a group of persons. We understand that the persons within a local authority who invest on behalf of pension funds are elected officials acting as part of a pensions committee. In those circumstances, firms may take a collective view of the expertise, experience and knowledge of committee members, taking into account any assistance from authority officers and external advisers where it contributes to the expertise, experience and knowledge of those making the decisions. We also understand that typically the person(s) within local authorities who invest the treasury reserves of those authorities are likely to be officers of the authorities, who are delegated authority from elected members and act under an agreed budget and strategy.

Given different governance arrangements, we cannot be prescriptive, but we would stress the importance of firms exercising judgement and ensuring that they understand the arrangements of the local authority and the clear purpose of this test. It remains a test of the individual, or

respectively the individuals who are ultimately making the investment decisions, but governance and advice arrangements supporting those individuals can inform and contribute to the firm's assessment.

We agree that adherence to CIPFA Codes or undertaking other relevant training or qualifications may assist in demonstrating knowledge and expertise as part of the qualitative test.

Page 68 Our response on the quantitative test – approach for Local Government Pension Schemes (LGPS)

We recognise that local authority pension schemes are established within the framework of the LGPS Regulations and are subject to the oversight of the Pensions Regulator, as well as the broader public policy in MiFID II, such as ensuring that local authority pension schemes receive appropriate investment services, and that they understand the costs and risks involved with such service.

Some expressed concerns about interpreting the quantitative criteria in light of the common governance of local authority pension scheme administration, and recognise that the drafting of our proposed rules was not sufficient to achieve our policy intention of allowing all local authorities administering LGPS pension funds to have the ability to successfully opt up. Therefore, our rules will add a fourth criterion that the client is subject to the LGPS Regulation for their pension administration business. Local authorities must continue to meet the size requirement, as well as one of the two previous criteria or the new fourth criterion. This will assist all local authority pension fund administrators who wish to opt-up to meet the quantitative test, but maintain the need for local authorities to qualitatively demonstrate their sophistication to become professional clients. We agree with views that compliance with the LGPS Regulations, including taking proper advice, will contribute to the assessment of knowledge and expertise of the local authority client when making decisions.

Page 69 Our response on the quantitative test – undertaking 10 transactions on average per quarter

We accept that some local authorities will not be able to meet this part of the quantitative test (particularly when investing pension funds). However, it continues to be our view that regular and recent experience of carrying out relevant transactions remains a useful proxy for assessing sophistication. We have received no arguments against this view, and so confirm that we will retain this test as one of the four available criteria for enabling a local authority body to opt up.

While theoretically this criterion could be 'gamed' by firms and clients by churning portfolios, we believe it is an unlikely course of action for local authorities who are accountable to the electorate and have specific statutory duties requiring prudent management of their financial affairs. In future, we could scrutinise any firm who appeared to be recommending this course of action to its client and question whether the firm was acting in the client's best interest and whether the firm believed that an artificially higher number of trades contributed to the expertise, experience and knowledge of their client.

Page 70 Our response on the quantitative test – employment in the financial sector for at least 1 year in a professional position

We accept we could be clearer about who this test is applied to, while ensuring it can be applied flexibly to different governance arrangements. We also recognise that employment in the financial sector is a criterion that can only apply to a natural person.

In response, we have amended the proposed drafting in COBS 3.5.3BR(b)(ii) to note that 'the person authorised to carry out transactions on behalf of the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged'. This should allow local authorities to delegate authority to make investment decisions on their behalf to professional staff with at least one year's experience. We recognise that this redrafted criterion may not be useful for assessing the collective decision making involved in investing local authority pension funds. However, we think this will be less problematic given our new fourth criterion aimed at LGPS administering authorities.

We do not interpret the term ‘financial sector’ in a limited way for the purposes of COBS 3.5.3BR(2)(b)(ii), and firms may reasonably assess that a professional treasury manager has worked in the financial sector for at least one year, if their role provides knowledge of the provision of services envisaged. This meets the purpose of the test, to ensure the person acting on behalf of a client has the expertise, experience and knowledge necessary in relation to the investment or service being sold and the risks involved.

Page 71 Our response on the quantitative test – portfolio size threshold

We have changed the portfolio size threshold to £10m. This follows further data and case studies provided by local authorities, Department for Communities and Local Government (DCLG) new data, and wider CP responses.

We believe £10m is closer to our policy goal of restricting the ability of the smallest, and by implication the least sophisticated, local authorities (town and parish councils, and the smallest county and district councils) to opt-up, but giving larger ones the ability to do so more readily, (provided they meet the other criteria).

Based on the number of local authorities we estimated were investing in MiFID scope instruments and understanding the quoted portfolio size in the DCLG dataset for 2014/15, in CP16/29 we estimated that 63 additional local authorities would not be able to opt-up to professional client status for the purposes of engaging in MiFID business as a result of our consulted upon policy.

At a £15m portfolio size threshold, this increased to 78 additional local authorities which would not be able to opt-up to professional client status for the purposes of engaging in MiFID business when we used the new 2015/16 DCLG dataset.

Applying the £10m threshold to data over the following years:

2014/15 – 27 local authorities would not be able to opt-up to professional client status; and the estimated one-off costs for investment firms would decrease from £1.7m to £0.8m and on-going costs from £0.8m to £0.3m.
2015/16 – 42 local authorities would not be able to opt-up, and the one-off costs for investment firms would decrease from £2.0m to £1.1m, and on-going costs would reduce from £0.9m to £0.5m.47

While a local authority’s ability to borrow extra funds to ‘game’ this requirement may be possible, it is questionable whether local authorities would be able to justify this approach while at the same time making budgets and investment strategies available for public scrutiny.

Page 74 Our response on transitional arrangements

MiFID II gives us very limited discretion with regard to transitional arrangements for applying these rules in respect of local authorities and provides no ability to extend the deadline for compliance with this requirement beyond 3 January 2018. We consulted in CP16/43 on proposed transitional arrangements that would allow investment firms to re-assess the categorisation of local authority clients between the 3 July 2017 implementation deadline and 3 January 2018. These proposals are being taken forward (see Chapter 24). However, firms will not be expected to re-consider categorisation of existing clients other than local authorities, where MiFID II rules are the same as existing MiFID rules transposed at COBS 3.

Otherwise, we have made further consequential drafting changes to transitional provisions at COBS TP 1 that were added when MiFID was implemented in 2007, but that are no longer carried across into MiFID II.

More generally, COBS 3.5.8G notes that professional clients have the responsibility to keep investment firms informed about any changes that affect their current categorisation. Further, at COBS 3.5.9R, if the firm becomes aware that the client no longer fulfils the initial conditions that made the client eligible to be an elective professional client, it must take “appropriate action”. Neither MiFID II, nor our rules specify what ‘appropriate action’ is, which will depend on the facts of the case and what would be in the client’s best interest. Firms must exercise judgement and consider what would be in the best interests of the client. For example, if a client no longer meets the quantitative test to

opt up to professional client status, a firm may decide it is appropriate to cease providing investment services but to do so in a way that minimises losses to the client.

UK Local Authority Client Opt-Up Process

STAGES	TIMELINE	GUIDANCE
Preparatory Stage Finalise standard opt-up process	End July 2017	(i) Finalise industry standard quantitative and qualitative questionnaire; (ii) Finalise request and consent letter from Local Authority to be opted-up; and (iii) Finalise response letter from investment firms agreeing to the opt-up.
Stage 1 Local authorities to complete letter and questionnaire and send to investment firms	August – September 2017	Local authorities to complete and send investment firms: (i) request and consent letter to be opted-up to professional client status; and (ii) completed quantitative and qualitative questionnaire (to allow investment firms to satisfy themselves that the local authority passes the qualitative test).
Stage 2 Investment Firms to validate the information and run the client status assessment	September – October 2017	Investment firms to validate information received from local authorities to determine information is (i) sufficient; and (ii) appropriate. Assess the information received by the local authority and confirm that it: (i) has provided the request and consent letter to be treated as a professional client; and (ii) passes (i) the quantitative test and (ii) the qualitative test Log and store the local authority information and the results of the internal assessment.
Stage 3 Dispatch the confirmation letter to LA clients confirming professional client status	October 2017	If a local authority has provided the request and consent letter and has satisfied the requirements for both: (i) the quantitative test; and (ii) the qualitative test, send a letter confirming the classification of the client as a professional client.
Stage 4 Client re-categorisation	3 January 2018	Once the steps above are complete, as of 3 January 2018, the firm may continue to treat the local authority as a professional client.

Mae'r dudalen hon yn wag yn fwriadol

Letter requesting categorisation as an elective professional client

[ON [AUTHORITY] HEADED PAPER]

[Manager name]

[Manager address]

[Date]

Dear [●]

Request to be treated as a professional investor

I am writing to you ahead of the implementation in the UK of the Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). I have been authorised by NAME OF AUTHORITY (the "Local Authority") to inform you that, in its capacity as an administering authority of a local government pension scheme, it wishes to be treated as a professional client for the purpose of:

(a) any and all investment service(s) which it receives from you (the "Services"); and/or

(b) the promotion to us of, and investment in, any and all fund(s) managed or advised by you (the "Fund Promotions/Investments").

We understand you are required to categorise all of your clients as either professional clients or retail clients and that you currently categorise the Local Authority as a Professional Client ("Professional Client"). However as of 3 January 2018, under new rules deriving from MiFID II, you will be obliged to re-categorise the Local Authority as a Retail Client ("Retail Client") as regards receiving Services from you and/or as regards existing fund investments and any future Fund Promotions/Investments, unless you are satisfied you can otherwise treat the Local Authority as an elective Professional Client and opt-up the Local Authority to this particular client status.

I confirm and acknowledge that the Local Authority is aware that, being categorised as a Professional Client, it will not benefit from the protections and investor compensation rights set out in more detail in Schedule 1. In doing so, I confirm that the Local Authority has reviewed and considered the loss of these protections and rights very carefully and has, if it felt so appropriate, taken advice from legal, financial or other advisors.

I wish to inform you that the Local Authority wishes to be categorised as a Professional Client for the purposes of the Services and/or Fund Promotions/Investments, as applicable in its capacity as an administrating authority of the Local Government Pension Scheme.

Prior to re-categorising the Local Authority, as a Professional Client, I understand that you will be required to assess the Local Authority on certain quantitative and qualitative grounds. In order to facilitate this assessment, please find attached a completed questionnaire for your review and consideration.

Subject to you being reasonably assured that, as of 3 January 2018, the Local Authority satisfies the necessary quantitative and qualitative grounds and may be categorised as an elective Professional Client, the Local Authority confirms the following:

(a) its request to be categorised as a Professional Client, in its capacity as an administrating authority of the Local Government Pension Scheme, in relation to the Services and/or Fund Promotions/Investments.

(b) all information provided to you by us (for the purposes of facilitating your assessment of the Local Authority's request to be categorised as a Professional Client) is true, accurate and complete.

(c) the Local Authority understands the contents of Schedule 1 which contains summaries of the protections and investor compensation rights, if any, that the Local Authority will lose once it is categorised as a Professional Client. Please note that I can confirm that the Local Authority is fully aware of the consequences of losing such protections and still wishes to apply to be categorised as Professional Client in respect of the Services and/or Fund Promotions/Investments.

(d) the Local Authority has had sufficient time to consider the implications of categorisation as a Professional Client and has separately taken any legal, financial or other advice that it deems appropriate.

(e) the Local Authority will inform you of any change that could affect its categorisation as a Professional Client. I also confirm that the Local Authority understands its responsibility to ask you for a higher level of protection if it is unable to properly assess or manage the risks involved with the investments comprised within the portfolio management mandates which you have been appointed to manage.

(f) I acknowledge the Local Authority understands that you shall be permitted, in your sole discretion and without providing any reason, to re-categorise the client as a Retail client or cease to provide the Services or otherwise carry out any fund promotion to us or allow future investment in funds by us.

If you have any questions regarding this application please contact **[name]** on **[number]** or alternatively e-mail us at **[email address]**.

Yours sincerely,

……

[insert name and position] **[Authority]**

Schedule 1

Warnings - loss of protections for the Local Authority if categorised as a Professional Client

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This Schedule contains, for information purposes only, a summary of the protections lost when requesting and agreeing to be treated as a Professional Client.

Part 1 – Loss of protections as a Professional Client when receiving Services

1. **Communicating with clients, including financial promotions**

As a Professional Client the simplicity and frequency in which firms communicate with you may be different to the way in which we would communicate with a Retail Client. Firms will ensure however that their communication remains fair, clear and not misleading.

2. **Information about the firm, its services and remuneration**

The type of information that a firm provides to Retail Clients about itself, its services and products and how it is remunerated differs to what it provides to Professional Clients. In particular,

(A) It is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients;

(B) the information which it provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, it is required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

(C) when handling orders on behalf of Retail Clients, it has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. **Suitability**

In the course of providing advice or in the course of providing portfolio management services, when assessing suitability for Professional Clients, a firm is entitled to assume that, in relation to the products, transactions and services for which Professional Clients have been so classified, that they have the necessary level of experience and knowledge to understand the risks involved in the management of their investments. Firms cannot make such an assumption in the case of Retail Clients and must assess this information separately. Firms would be required to provide Retail Clients with a suitability report, where they provide investment advice.

4. **Appropriateness**

For transactions where a firm does not provide investment advice or portfolio management services (such as an execution-only trade), a firm may be required to assess whether the transaction is appropriate for the client in question. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, a firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. **Dealing**

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in determining best execution.

6. **Reporting information to clients**

For transactions where a firm does not provide portfolio management services (such as an execution-only transactions), the timeframe for providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. **Client reporting**

Firms that manage a retail portfolio that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. **Financial Ombudsman Service**

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

10. **Exclusion of liability**

A firms' ability to exclude or restrict any duty of liability owed to clients is narrower under the FCA rules in the case of Retail Clients than in respect of Professional Clients.

11. **Trading obligation**

In respect of shares admitted to trading on a regulated market or traded on a trading venue, a firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. **Transfer of financial collateral arrangements**

As a Professional Client, a firm may conclude title transfer financial collateral arrangements for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. **Client money**

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

Part 2 – Loss of protections for the Local Authority as a potential investor if categorised as a Professional Client for the purposes of Fund Promotions

1. **Fund promotion**

It is generally not permitted for firms to market alternative investment funds (AIFs) to investors who are Retail Clients (although there are certain limited exceptions to this rule). As a Professional Client, firms will (subject to complying with applicable marketing rules) be generally permitted to market shares or units in AIFs to you, without being subject to this restriction.

2. **Non-mainstream pooled investments**

For the purposes of the UK regulatory regime, AIFs typically fall within the definition of an "unregulated collective investment scheme". The UK regulator considers unregulated collective investment schemes to be a high-risk investment, which are not generally suitable investments for Retail Clients. As such, firms are not permitted to promote investments in unregulated collective investment schemes to Retail Clients (although there are certain limited exceptions to this rule). As a Professional Client, firms will be generally permitted to promote an investment in unregulated collective investment schemes to you, without being subject to this restriction (and without making any assessment of whether the investment would be suitable or appropriate for you).

3. **Communicating with clients, including financial promotions**

Detailed rules govern generally the form and content of financial promotions which are issued to investors who are Retail Clients. However, these detailed form and content rules apply less rigorously where a promotion is issued only to investors who are Professional Clients. As a Professional Client, firms will be generally permitted to issue promotions to you which do not satisfy the detailed form and content rules for Retail Clients. Firms must ensure however that communications remains fair, clear and not misleading.

4. **Financial Ombudsman**

The services of the Financial Ombudsman Service may not be available to you as a Professional Client

5. **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

Mae'r dudalen hon yn wag yn fwriadol

Elective Professional Client - Status Assessment

NAME OF LOCAL AUTHORITY:_____

CAPACITY: As administering authority of the local government pension scheme

NAME OF OFFICIAL COMPLETING QUESTIONNAIRE:_____

DATE:_____

QUANTITATIVE TEST

Answer questions (a) - (d) below. Please ensure that the detail forming the basis of the determination is recorded.

Please answer question (a) with a "Yes" / "No" answer	
(a) Does the size of the local authority's financial instruments portfolio (including both cash deposits and financial instruments) for the purposes of its administration of a local government pension scheme **exceed GBP 10,000,000**? Portfolio size_____ as at date: …….	☐ Yes ☐ No
(b) Is the local authority an 'administering authority' of the Local Government Pension Scheme within the meaning of the version of Schedule 3 of The Local Government Pension Scheme Regulations 2013 or, (in relation to Scotland) within the meaning of the version of Schedule 3 of The Local Government Pension Scheme (Scotland) Regulations 2014 in force at 1 January 2018, and is acting in that capacity?	☐ Yes ☐ No
If the answer is "Yes" to question (b) above, it is not necessary to carry out the assessment in question (c) or question (d) and the answer "N/A" can be given in both cases	
(c) Has the local authority carried out transactions (in significant size) on the relevant market, at an average frequency of at least **10 per quarter** for the **previous four quarters** (i.e. at least 40 investments on the relevant market in the last year)? Transaction total: ……..	☐ Yes ☐ No ☐ N/A
(d) Does the person authorised to carry out transactions on behalf of the local authority work or has that person worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged? Details of role: ……	☐ Yes ☐ No ☐ N/A

QUALITATIVE TEST

The "qualitative test" requires a firm to undertake an assessment of the **expertise, experience and knowledge** of the local authority, in order for the firm to be reasonably assured, in light of the nature of the transactions or services envisaged, that the local authority is capable of **making its own investment decisions** and **understanding the risks involved**[1].

In order for a firm to undertake the assessment required for the purposes of the qualitative test, certain information must be received from local authorities. Local authorities should provide answers to the questions set out below in as comprehensive a fashion as possible. The responses received from the local authority client should be considered and assessed internally by the firm.

TO BE COMPLETED BY THE LOCAL AUTHORITY CLIENT

Section 1: Decision making body for pension investing within your authority

Please complete the following section in relation to the decision making body within the authority.

1.	Please indicate which <u>one</u> of the models below is used for investment decisions in the administering authority.	

a	All decisions delegated to committee or sub-committee. (*Please tick whether you have enclosed or provided a link to the minute giving the officer completing this document the necessary authorisation to do so*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
b	Decisions delegated to committee or sub- committee with partial delegation to an officer or officers. (*Please tick whether you have enclosed or provided a link to the minute giving the officer completing this application the necessary authorisation to do so*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
c	All decisions delegated to an officer or officers.	YES NO	☐ ☐
d	Other	YES NO	☐ ☐

2.	Please enclose or provide a link to the relevant scheme of delegations, which confirm details of the model elected above.	Enclosed Link	☐ ☐

3.	If you have selected model "d - other" above, please use the box below to describe the composition of the decision making model giving details of the parties and their functions. Details should include information on how the decision making body is constructed, constituted and periodically reviewed.

[1] COBS 3.5.3R (1)

Section 2: Expertise, experience and knowledge

Please answer the following questions in relation to the members of the committee or sub-committee (*not officers, investment advisors or consultants*) which makes investment decisions of behalf of the authority.

If you answered (c) to Section 1 Question 1, please move to Section 3.

1	Are members provided with a written brief on joining the committee? (*Please tick whether you have enclosed or provided a link to a copy of an example of the briefing*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
2	Are members provided with training on investment matters? (*Please tick whether you have enclosed or provided a link to examples of the training offered to members in the last 12 months*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
	Please indicate the total number of hours of training offered and delivered to the committee over the last 12 months.	hours offered hours delivered	
3	Is the attendance of members at training monitored and recorded?	YES NO	☐ ☐
4	Please state the average number of hours of training committee members have attended over the last 12 months.	hours	
5	Please state the average number of hours at investment conferences that committee members have attended over the last 12 months.	hours	
6	Are members required to complete a self-assessment with regard to their knowledge of investments? (*Please tick whether you have enclosed or provided a link to details of the self-assessment tool used*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
7	Please state the number of years served on the committee (or other such investment committees) on average for each member	years	
8	Please provide any other information which may assist with the assessment of the knowledge, experience and expertise of the committee or sub-committee - (such as the average number of years of independent investment experience by members).		

Section 3: Investment history and strategy

1	Please complete the following questions in relation to the authority's history and current strategy with regard to investments which are acquired through an investment manager's investment mandate or invested in directly (e.g. funds).

Asset class or investment vehicle	Number of years held	Currently Held
Fixed interest securities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Index-linked securities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Listed equities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Pooled investment vehicles (PIVs) – authorised funds (e.g. UCITS, NURS, PAIFs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Pooled investment vehicles (PIVs) – unauthorised (e.g. investment trusts, close-ended real estate funds, hedge funds)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Property PIVs	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Private equity funds	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Property	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Exchange traded derivatives (ETDs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Over-the-counter derivatives (OTCs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Commodities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Cash deposits	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Commercial paper	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Floating rate notes	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Money market funds	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Other asset classes or investment vehicles where the authority has experience (Please give details below)		
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐

2	Please tick whether you have enclosed or provided a link to the most recent version of the authority's Investment Strategy Statement (England and Wales) or Statement of Investment Principles (Scotland) .	Enclosed Link	☐ ☐
3	Has the authority taken the appropriate advice, as required by regulation, in preparing its Investment Strategy Statement?	YES NO	☐ ☐

Section 4: Understanding risks

Please answer the following questions in relation to the members of the committee or sub-committee or officers (*not investment advisors or consultants*) making investment decisions of behalf of the authority.

1	Does the authority have a risk framework and/or risk management policy in place in relation to investments? (*Please tick whether you have enclosed or provided a link to a details of the framework/policy*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
2	Was external advice taken with regard to the preparation, monitoring and review of the framework/policy? If yes, please provide the name of the advisor:	YES NO	☐ ☐
3	Is the risk framework/policy reviewed on a regular basis? If YES please state the frequency of the review. (*Please tick whether you have enclosed or provided a link to details of the last review*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
4	Are those directly involved in decision making provided with training on risk management, including focused training on understanding the risks involved with investments? (*Please tick whether you have enclosed or provided a link to examples of the training offered in the last 12 months*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
5	Are those directly involved in decision making required to complete a self-assessment with regard to their understanding of risk management? (*Please tick whether you have enclosed or provided a link to details of the self-assessment tool used*)	YES NO Enclosed Link	☐ ☐ ☐ ☐

Section 5: Support for investment decisions taken by committee/sub-committee of the authority

Please answer the following questions in relation to those officers, advisors or consultants who directly contribute to assisting the committee/sub-committee of the authority take investment decisions or those officers who have delegated decision making powers.

In Section 1 Question 1, if you answered:

- Model a - please complete Question 1 below
- Model b - please complete Questions 1 and 2 below
- Model c - please complete Question 2 below
- Model d - please complete the below questions as appropriate

1.	For each officer providing support to the committee or sub-committee please provide the following information.

Job title	Relevant qualifications	Years experience in role[2]

2.	For each officer with delegated investment powers please provide the following information (these may be the same officers as above).

Job title	Limit on asset classes or investment vehicles	Limit on delegation (£m)

3	Does the authority have a written succession plan in place to manage key person risk in relation to the above officers? (*Please tick whether you have enclosed or provided a link to details of the succession plan*)	YES NO Enclosed Link	☐ ☐ ☐ ☐

4.	For each individual investment advisor used by the authority please provide the following information *only to be completed where these individual investment advisors are engaged on an independent basis and not acting on behalf of an entity listed in point 5 below)*.

Name	Relevant qualifications	Years experience in role[3]

[2] Or similar role which would provide knowledge of the provision of the services envisaged, which may have been carried out at a different organisation.

[3] Or similar role which would provide knowledge of the provision of the services envisaged.

5.	For each investment advisory firm used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority

6.	For each individual investment consultant used by the authority please provide the following information (*only to be completed where these consultants are engaged on an independent basis and not acting on behalf of an entity listed in point 7 below)*.

Name	Relevant qualifications	Years experience in role[4]

7.	For each investment consultancy firm used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority

8.	Please confirm whether the officer, investment advisor firm/individual, investment consultancy firm/individual, is aware of the reliance being placed on it for the purposes of the client categorisation of Local Authorities.	YES ☐ NO ☐

[4] Or similar role which would provide knowledge of the provision of the services envisaged.

Section 6 General questions

1.	In the last three years has the authority been censured for a material breach of Local Government investment regulations in force from time to time or any other related legislation governing investment? (*If yes please tick whether you have enclosed or provided a link to a details of the breach*)	YES NO Enclosed Link	☐ ☐ ☐ ☐

2.	Please use the box below to provide any further information which may be useful in the support of your application.

BWRDD PENSIYNAU CRONFA BENSIWN DYFED

DYDDIAD 09/10/2017

Tymor yn y Swydd
YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN: Y Bwrdd Pensiwn i drafod opsiynau ynglŷn â thelerau swyddfa aelodau'r bwrdd.
RHESYMAU: Mae'r tymor cychwynnol ar gyfer pob aelod o'r bwrdd yn dod i ben ar 31/03/2018.

Awdur yr Adroddiad:	Swydd:	Rhif ffôn
Chris Moore	**Cyfarwyddwr y Gwasanaethau Corfforaethol,** **Cyngor Sir Gâr**	**01267 224120** **e-bost:** **CMoore@sirgar.gov.uk**

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
09/10/2017

Terms of Office
BRIEF SUMMARY OF PURPOSE OF REPORT The Terms of Reference, section 7, states that Employer Representatives, Scheme Member Representatives and the Independent Member / Chair are appointed for a period of up to three years from the date of establishment of the Pension Board or the date of their individual appointment if later. This period may be extended for up to five years if agreed by the Section 151 Officer. Members may be re-appointed for further terms following an appointment process. All existing board members were appointed on 01/04/2015 and therefore this initial three year period expires on 31/03/2018. Board members and Chair need to discuss options with the Section 151 Officer on retaining continuity of membership of the Pension Board.

DETAILED REPORT ATTACHED?	**YES**

IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	**NONE**	**NONE**	**NONE**	**NONE**

Section 100D Local Government Act, 1972 – Access to Information **List of Background Papers used in the preparation of this report:** **THESE ARE DETAILED BELOW**		
Title of Document	**File Ref No.**	**Locations that the papers are available for public inspection/WEBSITE LINK**

DYFED PENSION FUND

LOCAL PENSION BOARD

TERMS OF REFERENCE
&
RULES OF PROCEDURE

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OVERVIEW

1. Introduction and General Operating arrangements

1.1. The purpose of this document is to set out the Terms of Reference for the local Pension Board of the Dyfed Pension Fund. The Pension Board is established by Carmarthenshire County Council under the powers of Section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme Regulations 2013. As such, the Constitution of Carmarthenshire County Council does not apply to this Pension Board unless expressly referred to within and permitted by this Terms of Reference.

1.2. The Pension Board will exercise all its powers and duties in accordance with the law and the Terms of Reference.

1.3. The Pension Board shall consist of 7 Members, including 3 Employer Representatives, 3 Scheme Member Representatives and an Independent Member / Chair.

1.4. Carmarthenshire County Council as the Administering Authority shall provide the required support services for the operation and discharge of duties of the Pension Board.

1.5. The Administering Authority and the Pension Board shall, so far as is reasonably practical, ensure at all times that the Board membership meets the requirements of the legislation and the appointed Members have the skills, knowledge and capacity necessary for the Board to discharge its functions effectively.

1.6. The Pension Board is providing oversight and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management. The Pension Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

DYFED PENSION BOARD'S TERMS OF REFERENCE

2. Terms of Reference

2.1. To secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme and any other connected scheme, and any requirements imposed by the Pensions Regulator in relation to the Scheme.

2.2. To ensure the effective and efficient governance and administration of the LGPS by the Dyfed Pension Fund.

2.3. The Pension Board will ensure that in performing their role it is:

- done effectively and efficiently and
- complies with relevant legislation and
- done by having due regard and in the spirit of the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator and any other relevant statutory or non-statutory guidance.

2.4. Board minutes of each meeting must be provided to the following Pension Fund Panel meeting and may make reports and recommendations to the Pension Fund Panel insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided 10 working days in advance of the next Pension Fund Panel meeting to the Section 151 Officer.

2.5. An annual report of the Pension Board (as prepared by the Independent Member / Chair of the Pension Board), must be provided to the Section 151 Officer, the Head of Administration and Law, the Pension Fund Panel, and be published in the Fund's Annual Report and Accounts.

2.6. Where the Board considers that a matter brought to the attention of the Pension Fund Panel has not been acted upon or resolved to their satisfaction, the Pension Board will provide a report to the Head of Administration and Law and the Section 151 Officer.

2.7. The board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

MEMBERSHIP OF THE DYFED PENSION BOARD

3. Membership: Composition

3.1. The Pension Board shall consist of 7 members and be constituted as follows:

- 3 Employer Representatives;
- 3 Scheme Member Representatives;
- 1 Independent Co-opted Member / Chair.

3.2. Substitutes are not permitted.

3.3. The Administering Authority shall make appropriate arrangements, as set out in this document, for the establishment of the membership of the Pension Board.

3.4. No officer or elected member of an administering authority who is responsible for the discharge of any function for the Dyfed Pension Fund under these regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the Dyfed Pension Fund local pension board.

3.5. The Administering Authority must be satisfied that—

- a person to be appointed as an Employer Representative has the capacity to represent employers on the local pension board; and
- a person to be appointed as a Scheme Member Representative has the capacity to represent members on the local pension board.
- a person to be appointed as an Independent Member / Chair has the capacity to represent members on the local pension board.

3.6. Each Employer Representative and Scheme Member Representative will have an individual voting right.

3.7. The Administering Authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

3.8. The Section 151 Officer will define and keep under review any eligibility and/or selection criteria that will apply to Pension Board members having due regard to the LGPS Regulations, the Pension Regulator's Code of Practice and other guidance (statutory or otherwise).

4. Membership: Appointment of Employer Representatives

4.1. Each employer within the Dyfed Pension Fund will be invited to nominate one representative to represent employers on the Pension Board.

4.2. A closing date for nominations will be a minimum of 2 weeks from the date the invitation is formally made.

4.3. Application packs will be prepared and made available to those who have been nominated.

4.4. The applications will be evaluated by the Administrating Authority against an agreed person specification criteria. The Administering Authority will appoint 3 Employer Representatives.

4.5. One Employer Representative will be from Carmarthenshire County Council, as the Administering Authority.

4.6. If no applications are received or if all applications received fall below the minimum eligibility criteria, the Section 151 Officer will take any other action she/he considers appropriate to appoint suitable Employer Representatives.

5. Membership: Appointment of Scheme Member Representatives

5.1. The joint trade unions will be approached to make one nomination of a person to represent scheme members.

5.2. The other Scheme Member Representatives will be selected through an advertised appointment process.

5.3. A closing date for applications will be a minimum of 2 weeks.

5.4. Application packs will be prepared and made available to those who request an application form.

5.5. The applications will be evaluated by the Administrating Authority against an agreed person specification criteria and shortlisted accordingly.

5.6. If no applications are received or if all applications received fall below the minimum eligibility criteria, the Section 151 Officer will take any other action she/he considers appropriate to appoint suitable Scheme Member Representatives.

6. Membership: Appointment of Independent Member / Chair

6.1. Given the specialist knowledge and requirements of the role, it is considered appropriate that the Administering Authority appoint a professional independent chair. Various individuals have been identified who through their previous involvement with the Finance and Pensions function it is thought would have the

immediate experience and capacity which, if supplemented with specific training, would enable them to undertake the role. Appropriate individuals will be contacted about their interest in the role and interested candidates will be assessed against the appropriate person specification and requirements of the role. The Administering Authority will appoint the most appropriate candidate.

7. Term of Office

7.1. The Employer Representatives are appointed for a period of three years from the date of establishment of the Pension Board or the date of their appointment if later. This period may be extended to up to five years if agreed by the Section 151 Officer, in particular to assist in continuity of experience on the Pension Board. It will automatically cease if the individual is no longer in the employment of that employer.

7.2. The Scheme Member Representatives are appointed for a period of three years from the date or establishment of the Pension Board or the date of their individual appointment if later. This period may be extended to up to five years if agreed by the Section 151 Officer, in particular to assist in continuity of experience on the Pension Board. It will automatically cease if the individual is no longer a scheme member in the Fund.

7.3. The Independent Member / Chair will be appointed for a period of up to three years from the date or establishment of the Pension Board or the date of their individual appointment if later. This period may be extended to up to five years if agreed by the Section 151 Officer, in particular to assist in continuity of experience on the Pension Board.

7.4. Any Pension Board member may be re-appointed for further terms following an appointment process.

7.5. Term dates may not be exact due to the period of the appointment process. The term of office may therefore be extended for this purpose or other exceptional circumstances by up to three months with the agreement of the Section 151 Officer.

8. Removal of Members

8.1. Other than ceasing to be eligible (as set out in point 7 above) a Pension Board member may only be removed from office during the term of appointment by the unanimous agreement of the Section 151 Officer, the Head of Administration and Law and the Independent Member / Chair.

8.2. All Board Members shall observe Carmarthenshire County Council's Code of Conduct for Members and Co-opted Members. Failure to do so will result in removal from the Pension Board.

8.3. The removal of the Independent Member / Chair requires unanimous agreement from the Section 151 Officer and the Head of Administration and Law.

9. Resignation of Members

9.1. Any member may resign at any time, by 3 months notice in writing to the Independent Member / Chair of the Board.

9.2. The Independent Member / Chair may resign at any time, by 3 months notice in writing to the Section 151 Officer.

MEETING ARRANGEMENTS

10. Role of the Independent Member / Chair

10.1. Ensure that all members of the Board show due respect for process, that all views are fully heard and considered and that decisions are democratically made where consensus cannot be reached.

10.2. To uphold and promote the purpose of the Board and to interpret its Terms of Reference when necessary.

10.3. Ensure that the Pension Board members have the knowledge and skills as determined in the Fund's Training Policy and other guidance or legislation and maintain a training record, and do not have conflicts of interest (see 16.5).

10.4. Act as professional adviser for the Board or arrange such advice as required subject to agreement by the Section 151 Officer on such conditions as that officer determines.

10.5. Agree the agenda for each Pension Board meeting.

10.6. Approve minutes for Pension Board meetings.

10.7. Ensure an attendance record is maintained along with advising Carmarthenshire County Council on expenses to be paid.

10.8. Advise Carmarthenshire County Council on an appropriate budget for the Board.

10.9. Write reports required by Carmarthenshire County Council on the work of the Board.

10.10. Liaise with the Treasury and Pension Investments Manager on the requirements of the Board, including advanced notice for Carmarthenshire County Council officers to attend and arranging dates and times of Board meetings.

10.11. Attend the Pension Panel meetings as an observer, currently 4 meetings per year.

10.12. Other tasks which may be deemed appropriate by Carmarthenshire County Council for the Independent Member / Chair of the Pension Board.

10.13. Other tasks that may be requested by the members of the Pension Board, within the remit of this Terms of Reference and subject to agreement with the Section 151 Officer.

10.14. To annually review and report on the performance of the Board.

10.15. The decision of the Independent Member / Chair on all points of procedure and order and the Independent Member / Chair's interpretation of the Terms of Reference shall be final.

10.16. Full draft job description can be found in Appendix A.

11. Meetings of the Pension Board

11.1. The Pension Board will normally meet at the offices of the Dyfed Pension Fund, although the offices of any Employer Representatives could be used with prior agreement of the Independent Member / Chair and at no additional accommodation cost to the Dyfed Pension Fund.

11.2. The Pension Board will not be a meeting of the Council open to the general public. See point 18 below (Attendance by others) for further information as to who may attend the Pension Board meetings.

11.3. The Board will meet twice in each calendar year. If the Board does not believe that this is sufficient to discharge its duties and responsibilities effectively the Independent Member / Chair can make a request to the Section 151 Officer for approval to hold additional meetings.

11.4. Urgent business of the Pension Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Pension Board including telephone conferencing and e-mails.

11.5. The Section 151 Officer will agree an agenda with the Independent Member / Chair of the Pension Board prior to each Pension Board meeting. Any member of the Board shall be entitled to request that an item be placed on an agenda for a future meeting, subject to the Independent Member / Chair’s approval.

11.6. The agenda and any papers for the Pension Board will be issued at least 3 working days in advance of the meeting except in the case of matters of urgency.

11.7. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 10 working days after the meeting. These draft minutes will be subject to formal agreement by the Independent Member / Chair taking consideration of comments by Board members (which may be done electronically between meetings).

11.8. The minutes may, at the discretion of the Independent Member / Chair, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 1998.

12. Quorum

12.1. All Members of the Pension Board are expected to regularly attend meetings. Records of attendance of all Members will be maintained and reported to the Section 151 Officer on at least an annual basis.

12.2. The minimum attendance for a meeting of the Pension Board to go ahead is when there are at least 4 attendees, including at least:

- one Employer Representative and
- one Scheme Member Representative and
- the Independent Co-opted Member / Chair.

12.3. Subject to agreement by the Independent Member / Chair this could include remote attendance.

13. Voting

13.1. Voting will be by majority.

13.2. Employer and Scheme Member Board Members will each have an individual voting right. The Independent Member / Chair will not have a vote.

13.3. Voting will be by a show of hands.

13.4. The results of any voting outcomes will be reported in the Board minutes.

13.5. Any member of the Board can ask for the way in which they voted to be recorded in the minutes.

14. Remuneration and expenses

14.1 The expenses of the Pension Board are to be regarded as part of the costs of administration of the Dyfed Pension Fund.

14.2. All Employer and Scheme Member Representatives will be entitled to claim travel and subsistence allowances at the rates contained in the Councillor's & Co-opted Member's Scheme of Allowances.

14.3. The Independent Member / Chair will be entitled to an appropriate fee which will be agreed by the Section 151 Officer as well as travel and subsistence allowances at the rates contained in the Councillor's & Co-opted Member's Scheme of Allowances.

15. Budgets

15.1. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund and determined by:

- The Administering Authority will allocate an annual budget which is managed by and at the discretion of the Board.

16. Conflicts of Interest

16.1. A conflict of interest is defined in the Public Service Pensions Act as:
"in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

16.2. Each member of the Pension Board (as well as any other attendees participating in the meeting) will be expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest in the subject area or specific agenda of that Pension Board.

16.3. The Independent Member / Chair of the Pension Board must be satisfied that the Board is acting within:

- the conflicts of interest requirements of the Public Service Pensions Act and the LGPS Regulations, and
- in the spirit of any national guidance or code of practice in relation to conflicts of interest at the Pension Board.

16.4. Each member of the Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Independent Member / Chair of the Pension Board with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

16.5. The Section 151 Officer and the Head of Administration and Law will jointly adopt the role of ensuring that the Independent Member / Chair of the Pension Board does not have a conflict of interest in the same way as the Independent Member / Chair does in relation to all other Pension Board members.

17. Knowledge and Skills

17.1. Under the requirements of the Public Service Pensions Act, a member of the Pension Board must be conversant with:

- the legislation and associated guidance of the LGPS, and
- any document recording policy about the administration, funding and investment adopted by the Dyfed Pension Fund.

17.2. In addition, a member of the Local Pension Board must have knowledge and understanding of –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

17.3. It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

17.4. Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date.

17.5. Pension Board members are therefore required to:

- Participate in training events (a written record of relevant training and development will be maintained).
- Undertake a personal training needs analysis or other method to identify gaps in skills, competencies and knowledge.
- Comply with Dyfed Pension Fund's Training Policy insofar as it relates to Pension Board members.

18. Attendance by others

18.1. The following will be entitled to attend Pension Board meetings in an observer capacity:

- Members of the Dyfed Pension Fund Panel,
- the Section 151 Officer, the Treasury and Pension Investments Manager and the Head of Administration and Law,
- other officers or advisers of Carmarthenshire County Council or other employers involved with the management of the Pension Fund subject to approval in advance by the Independent Member / Chair, or on request by the Independent Member / Chair,
- any other person requested to attend by the Independent Member / Chair,

- any other person subject to approval in advance by the Independent Member / Chair.

18.2. Any such attendees will be permitted to speak at the discretion of the Independent Member / Chair.

19. Publication of Pension Board Information

19.1. In accordance with the Public Service Pensions Act, Carmarthenshire County Council is required to publish information about the Pension Board including:

- who the Pension Board members are,
- representation on the Board,
- the role of the Pension Board,
- these Terms of Reference.

19.2. In accordance with good practice, Carmarthenshire County Council may publish other information relating to the Pension Board as considered appropriate from time to time and which may include:

- the agendas and minutes,
- training and attendance logs,
- an annual report on the work of the Pension Board.

19.3. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- on the Dyfed Pension Fund website,
- on the Carmarthenshire County Council website,
- within the Dyfed Pension Fund Annual Report and Accounts,
- within the Fund's Governance Policy and Compliance Statement.

19.4. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

20. Annual Report

20.1. The Pension Board must produce an annual report of the Board.

20.2. The annual report must be provided to the Section 151 Officer, the Head of Administration and Law, the Pension Fund Panel, and will be published in the Fund's Annual Report and Accounts.

21. Receipt of advice and information

21.1. Pension Board members will receive the final reports, minutes and agendas relating to all Pension Fund Panel meetings and the Independent Member / Chair will be required to attend the Pension Fund Panel meetings as an observer.

21.2. Insofar as it relates to the role of the Pension Board, it may also;

- request and receive information and reports from the Pension Fund Panel or any other body or officer responsible for the management of the Fund,
- Examine decisions made or actions taken by the Pension Fund Panel or any other body or officer responsible for the management of the Fund.

21.3. Any further requests for information and advice are subject to the approval of the Section 151 Officer who will be required to consider positively all reasonable requests in relation to the role of the Pension Board whilst being mindful of value for money.

22. Acting in the interests of the entire pension fund

22.1. Though members of the Pension Board include representatives of specific categories of stakeholder (i.e. scheme members and employers) each member is required to have due regard to the Role of the Pension Board as outlined in this Terms of Reference.

22.2. All members are expected to work jointly in the best interest of the entire Pension Fund, rather than representing the interest of any individual stakeholders.

22.3. This should not prevent Members from sharing their knowledge on how matters might impact specific stakeholders of the Fund.

23. Accountability

23.1. The Pension Board will be collectively and individually accountable to Carmarthenshire County Council as Administrating Authority of the Dyfed Pension Fund.

24. Review, Interpretation and Publication of Terms of Reference

24.1. The Terms of Reference have been agreed by Carmarthenshire County Council. The Council will monitor and evaluate the operation of the Pension Board and may review this Terms of Reference from time to time.

24.2. This Terms of Reference will be incorporated into the Council's Constitution and will be publicly available as part of the Constitution as defined in the Council's Constitution and may be amended by the same means as permitted for the Constitution.

24.3. It will also form part of the Dyfed Pension Fund's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

25. Definitions and interpretation

Points of interpretation:

All references to officers are to officers within Carmarthenshire County Council unless otherwise stated.

The undernoted terms shall have the following meaning when used in this document:

“Pension Board” or “Board”	The local Pension Board for Carmarthenshire County Council, administering authority for the Dyfed Pension Fund as required under the Public Service Pensions Act 2013
"Fund" or "*Pension Fund"*	Dyfed Pension Fund
"the LGPS Regulations"	The Local Government Pension Scheme Regulations 2013 (as amended)
the Public Service Pensions Act	The Public Service Pensions Act 2013 (as amended)
”Scheme Manager”	Carmarthenshire County Council as administering authority of the Dyfed Pension Fund.
“Chair”	The appointed Chairperson of the Pension Board
“LGPS”	The Local Government Pension Scheme
“Scheme”	The Local Government Pension Scheme
“Capacity”	To have the time and resources to attend meetings, training, etc

Mae'r dudalen hon yn wag yn fwriadol

BWRDD PENSIYNAU CRONFA BENSIWN DYFED

DYDDIAD 09/10/2017

Yswiriant Bwrdd Pensiwn
YR ARGYMHELLION / PENDERFYNIADAU ALLWEDDOL SYDD EU HANGEN: Y Bwrdd Pensiwn i werthuso dyfynbrisiau yswiriant y Bwrdd Pensiwn.
RHESYMAU: Mae angen yswiriant Bwrdd Pensiwn i amddiffyn aelodau'r Bwrdd Pensiwn.

Awdur yr Adroddiad:	**Swydd:**	**Rhif ffôn**
Chris Moore	**Cyfarwyddwr y Gwasanaethau Corfforaethol,** **Cyngor Sir Gâr**	**01267 224120** **e-bost:** **CMoore@sirgar.gov.uk**

EXECUTIVE SUMMARY
DYFED PENSION FUND PENSION BOARD
DATE 09/10/2017

Pension Board Insurance

BRIEF SUMMARY OF PURPOSE OF REPORT

Pension Boards are not a council committee and therefore it is uncertain as to whether the members of the board are officials who fall within the scope of the councils own indemnity provisions. The effect of which could be that the board members could find themselves personally liable for significant costs.

Liability insurance quotes have been received from Aon and Hymans, summarised as follows:

- AON (ACE European Group Ltd) - £1m cover for £2,500
  £5m cover for £4,500

- Hymans (Lockton) - £1m cover for £2,500
  £5m cover for £5,000

These need to be considered and a preferred supplier agreed.

DETAILED REPORT ATTACHED?	YES

IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
NONE	**NONE**	**NONE**	**NONE**	**NONE**

Section 100D Local Government Act, 1972 – Access to Information **List of Background Papers used in the preparation of this report:** **THESE ARE DETAILED BELOW**		
Title of Document	**File Ref No.**	**Locations that the papers are available for public inspection/WEBSITE LINK**

Subject: Pension Board Insurance

Hi Anthony, I am now pleased to be able to provide you with a costing for the Pensions Board Insurance. The insurer who provides this cover has an exclusive arrangement with Aon and based on assets of £2.343bn we would be able to offer the following levels of cover (and you can see there is a choice as to the level of cover you might take):

Elite PTL for Public Service Pension Boards
Limit of Liability in the aggregate: Annual Premium (excluding IPT):
£1m £2,500 per annum
Or
£5m £4,500 per annum
Each of these premiums is subject to insurance premium tax at 10%.

Please note that as this pension board liability policy cover is classified by the FCA into the general insurance area, I'd just like to highlight that this cover is actually placed by Aon Risk Services, so if Carmarthenshire County Council decide to proceed with taking this insurance, Aon will receive commission on the placement.

We can revert to insurers and offer other limits than the above if that is your preference, but as the premium difference between 1m and 5m is relatively low we wanted to provide the total premium range for your consideration. Can you let me know if your preferred limit of indemnity is other than the above, and then we will arrange for Aon Risk Services to provide a further quote.

Insurers can incept cover immediately if required and run the policy through to 31st March 2018 @ pro rata premium. Cover is subject to the following within 14 days of inception..

- Terms of reference for the Pension Board (which we have)
- Details of the members of the Pension Board (have there been any changes)
- Details of training session for board members either undertaken or proposed (which we have)
- confirmation of any claims or any circumstances which may in the future give rise to a claim. Any such circumstances known but not declared at this stage will be excluded from cover.

Please don't hesitate to get in touch if there is anything else I can help you with. At this stage, I am acting very much as a messenger as it will be up to you/your insurance officer to liaise with Aon Risk Services to take this forward if you are interested. If you are interested in purchasing the cover via Aon Risk Services, please contact Nigel Cooper or Deborah Ball (copied in) so that they take this forward in line with compliance requirements.

Kind regards

Michael

Michael Ferguson | Senior Governance Consultant Public Sector Team
Aon Hewitt
Atria One | 144 Morrison Street | Edinburgh | EH3 8EX

Mae'r dudalen hon yn wag yn fwriadol

Subject: RE: LPB Indemnity

Hi Anthony
I've spoken to Lockton and they have now come back with a couple of quotes underwritten by firm called AXIS Specialty.
AXIS Specialty have provided the following indication of terms:-
We've now had confirmation from AXIS that they can offer terms for the following limits:-

i. £1m @ £2,500 + Insurance Premium Tax
ii. £2.5m @ £3,500 + Insurance Premium Tax
iii. £5m @ £5,000 + Insurance Premium Tax
iv. £10m @ £9,500 + Insurance Premium Tax

Full terms & conditions would need to be agreed but AXIS did say that there wouldn't be any deductible applicable for claims that are brought against the individual board members and the policy would be 100% underwritten by AXIS.
Please let me know if you wish to pursue this and I will arrange for Lockton to provide the paperwork.
Kind regards
Ian

Ian Colvin
for and on behalf of
Hymans Robertson LLP
20 Waterloo Street | Glasgow | G2 6DB

www.hymans.co.uk | www.clubvita.co.uk

Actuarial / Pensions Consultancy of the Year 2016
Investment Consultancy of the Year 2016
DC Investment Innovation of the Year 2016
Third-Party Administrator of the Year 2016
Actuarial Consultant of the Year 2015
Best Companies One Star Accreditation 2016
Sunday Times' Top 100 Best Companies 2015
PASA accredited administrator

Mae'r dudalen hon yn wag yn fwriadol