

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		<u>Note</u>	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
<u>70,740</u>			<u>71,760</u>
	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)
<u>(78,617)</u>			<u>(80,146)</u>
(7,877)	Net Additions (Withdrawals) from dealings with Members		(8,386)
(7,015) *	Management Expenses	8	(7,371)
<u>(14,892)</u>	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
<u>1,680</u>	Net Return on Investments		<u>458,416</u>
(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
<u>1,900,409</u>	Closing Net Assets of Scheme		<u>2,343,068</u>

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

Net Assets Statement for the year ended 31 March 2017

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

Reconciliation of the movement in Fund Net Assets

2015-16		2016-17
£'000		£'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
<u>1,900,409</u>	Closing Net Assets of Fund	<u>2,343,068</u>

Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2017

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
<u>44,931</u>	Total membership	<u>45,959</u>
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 $1/80 \times$ final pensionable salary.	Each year is worth $1/60 \times$ 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 $1/49^{\text{th}}$. 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		2016-17
£'000		£'000
0	Group transfers	0
1,986	Individual transfers	1,889
<u>1,986</u>		<u>1,889</u>

7 Payments to and on account of Leavers

2015-16		2016-17
£'000		£'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)
<u>(4,027)</u>		<u>(3,452)</u>

8 Management Expenses

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

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

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

10 Taxation

2015-16		2016-17
£'000		£'000
0	Withholding tax - Bonds	0
(32)	Withholding tax - equities	(47)
0	Withholding tax - pooled	0
<u>(32)</u>		<u>(47)</u>

11 Investments

11.1 Net investment assets

Fair value 31/03/2016 £'000		Fair value 31/03/2017 £'000
	<u>Investment assets</u>	
	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
	<u>Investment liabilities</u>	
	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	<u>Realised gains and losses</u>		
	2015-16		2016-17
	£'000		£'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
	<u>49,974</u>		<u>52,245</u>

11.4 Geographical analysis of investments

	Fair value	Geographical analysis	Fair value
	31/03/16		31/03/17
	£'000		£'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
	<u>1,895,380</u>		<u>2,335,178</u>

11.5 Fund manager analysis

	Fair value	Fund manager analysis	Fair value
	31/03/16		31/03/17
	£'000		£'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
	<u>1,895,380</u>		<u>2,335,178</u>

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	Proportion of Investment Portfolio
	£'000	%
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		2016-17	
£'000		£'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	440,696	0	0	440,696
450,678	0	0	450,678	568,252	0	0	568,252
874,407	0	0	874,407	1,099,372	0	0	1,099,372
202,363	0	0	202,363	212,418	0	0	212,418
7,381	0	0	7,381	5,966	0	0	5,966
0	4,041	0	4,041	0	9,768	0	9,768
4,530	0	0	4,530	3,840	0	0	3,840
0	6,901	0	6,901	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)	(246)	0	0	(246)
0	0	(4,198)	(4,198)	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	2,330,298	16,044	(3,274)	2,343,068

14.2 Net gains and losses on financial instruments

2015-16	2016-17
£'000	£'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	Fair value		Carrying value	Fair value
31/03/16	31/03/16		31/03/17	31/03/17
£'000	£'000		£'000	£'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	Total
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

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Fair values at 31 March 2016	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'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	Change	Value on	Value on
	31 March 2017		Increase	Decrease
	£'000	%	£'000	£'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	Change	Value on	Value on
	31 March 2016		Increase	Decrease
	£'000	%	£'000	£'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	Change	Value on	Value on
	31 March 2017		Increase	Decrease
	£'000	%	£'000	£'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
<u>359,295</u> Total	<u>450,464</u>

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	Change in year in the net assets	
	31/03/17	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	<u>450,464</u>	<u>4,505</u>	<u>(4,505)</u>

Asset type	Value as at	Change in year in the net	
	31/03/16	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	<u>359,295</u>	<u>3,593</u>	<u>(3,593)</u>

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
<u>862,850</u>	Total	<u>1,074,184</u>

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	
	£'000	+8.30% £'000	-8.30% £'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	<u>1,074,184</u>	<u>89,158</u>	<u>(89,158)</u>

Asset type (Restated)	Fair value 31/03/16	Change in year in the net assets available to pay benefits	
	£'000	+6.23% £'000	-6.23% £'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	<u>862,850</u>	<u>53,755</u>	<u>(53,755)</u>

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
<u>9,227</u>		<u>11,164</u>

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
<u>9,227</u>		<u>11,164</u>

17 Current liabilities

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

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)
<u>(4,198)</u>		<u>(3,274)</u>

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		31/03/17
£'000		£'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	Contributions £'000	Benefits payable £'000	Contribution rate %	Deficit Contribution £'000	Contributions £'000	Benefits payable £'000
Scheduled bodies							
12.9	4,690	26,459	31,650	12.9	5,019	26,753	32,822
13.5	1,107	13,776	14,600	13.5	1,152	14,103	16,322
13.6	730	10,008	10,792	13.6	760	9,949	9,927
11.6	389	3,455	2,048	11.6	405	3,643	2,066
13.5	133	1,167	930	13.5	138	1,389	1,139
15.2	(1)	275	224	15.2	(1)	281	340
14.3	139	1,244	1,046	14.3	144	1,211	836
15.1	(24)	592	681	15.1	(25)	591	821
12.8	55	851	258	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	20.0	2	4	13
12.6	0	1	0	12.6	0	1	0
18.6	13	71	123	18.6	14	72	95
18.7	0	6	0	18.7	0	14	0
27.7	1	5	5	27.7	1	5	4
24.4	0	9	30	24.4	0	11	30
27.6	7	9	14	27.6	7	13	12
17.3	0	2	1	17.3	0	2	1
21.2	0	1	1	21.2	0	1	1
14.6	11	196	136	14.6	12	185	200
17.8	8	52	74	17.8	8	100	76
12.8	0	6	0	12.8	0	6	0
18.2	4	21	7	18.2	4	23	7
23.5	3	25	7	23.5	3	30	7
13.0	(1)	6	12	13.0	(1)	6	12
12.0	0	9	3	12.0	0	10	1
8.5	0	7	0	8.5	0	7	0
24.9	0	3	0	24.9	0	0	0
	48	432	466		50	490	459

(continued overleaf)

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2015-16				2016-17			
Contrib ution rate %	Deficit Contribut ion £'000	Contri- butions £'000	Benefits payable £'000	Contrib ution rate %	Deficit Contribut ion £'000	Contri- butions £'000	Benefits payable £'000
Admission bodies							
Community Admission Body (CAB)							
26.1	(12)	1	26	26.1	(12)	0	14
13.2	13	31	17	13.2	13	32	19
13.3	40	937	892	13.3	42	811	891
11.7	6	38	38	11.7	6	31	46
26.5	(5)	11	0	26.5	(5)	9	0
17.9	0	34	84	17.9	0	16	39
20.0	5	3	16	20.0	5	3	16
0.0	0	0	0	21.7	0	7	0
18.1	5	32	37	18.1	5	29	49
7.8	3	60	0	7.8	3	55	27
11.5	15	35	28	11.5	16	33	31
7.4	0	15	0	7.4	0	16	0
23.7	1	12	40	23.7	1	21	10
16.0	1	10	2	16.0	2	9	2
14.5	4	60	33	14.5	4	63	23
12.6	7	57	40	12.6	7	45	33
13.4	0	1	26	13.4	0	0	73
14.2	(41)	301	179	14.2	(42)	265	320
16.5	101	582	529	16.5	105	607	563
22.5	74	10	189	22.5	77	11	228
15.1	22	254	374	15.1	22	222	371
13.8	6	32	40	13.8	6	34	40
17.8	1	56	44	17.8	1	52	44
13.5	0	3	0	13.5	0	7	0
	246	2,575	2,634		256	2,378	2,839
Transferee Admission Body (TAB)							
14.9	0	0	0	14.9	0	0	0
19.3	(4)	87	70	19.3	(4)	17	36
21.5	0	25	45	21.5	0	15	6
20.3	0	219	93	20.3	0	175	198
	(4)	331	208		(4)	207	240
Bodies with no pensionable employees							
0.0	0	6	7	0.0	0	5	6
0.0	0	51	352	0.0	0	51	325
0.0	0	1	6	0.0	0	1	5
0.0	0	1	5	0.0	0	1	2
0.0	0	0	2	0.0	0	0	2
0.0	0	0	8,615	0.0	0	0	8,198
0.0	0	0	2	0.0	0	0	2
0.0	0	8	8	0.0	0	6	7
0.0	0	13	42	0.0	0	13	42
0.0	0	0	7	0.0	0	0	7
0.0	0	0	5	0.0	0	0	5
0.0	0	1	1	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.

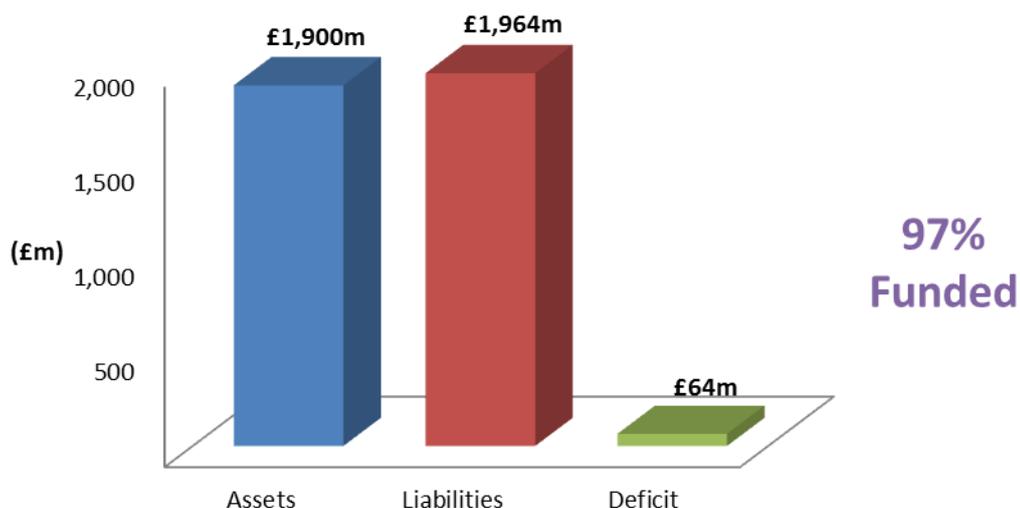
	Proportion to be recharged %
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Welsh Water	50

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.