

**DYFED PENSION FUND DRAFT STATEMENT OF ACCOUNTS  
2020-2021  
PUBLISHED SUBJECT TO AUDIT**

**NARRATIVE REPORT**

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 2020-21. 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 2020-21 (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 2020-2021, reference should be made to the Annual Report and Accounts 2020-21 (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

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Authority's Responsibilities**

The Authority is required:

- To make arrangements for the proper administration of the pension fund's affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Director of Corporate Services
- To manage the pension fund affairs to secure economic, efficient and effective use of resources and safeguard its assets
- To approve the Statement of Accounts

### **The Director of Corporate Services' Responsibilities**

The Director of Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Corporate Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Kept proper and timely accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Complied with the Code

### **Certification of Accounts**

I certify that the Statement of Accounts on pages 3 to 36 gives a true and fair view of the financial position of the Dyfed Pension Fund at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Chris Moore FCCA  
Director of Corporate Services

Dated: 28 July 2021

## Fund Account for the Year Ended 31 March 2021

| 2019-20<br>£'000 |   | <u>Note</u> | 2020-21<br>£'000 |
|------------------|---|-------------|------------------|
| Restated*        | <b>Dealings with members, employers and others directly involved in the Fund</b>        |             |                  |
|                  | Contributions   |             |                  |
|                  | Employer  |             |                  |
| 48,008           | Normal  |             | 63,914           |
| 7,881            | Augmentation  |             | 5,104            |
| 4,349            | Past Service Deficit/(Surplus)  |             | (6,563)          |
|                  | Member  |             |                  |
| 19,961           | Normal  |             | 21,339           |
| 221              | Additional voluntary  |             | 260              |
| 6,851            | Transfers in from other pension funds   | 6           | 3,196            |
| 87,271           |   |             | 87,250           |
|                  | Benefits payable  |             |                  |
| (72,859)         | Pensions payable  |             | (75,109)         |
| (14,708)         | Commutation and lump sum retirement benefits  |             | (11,727)         |
| (2,200)          | Lump sum death benefits   |             | (2,947)          |
| (3,597)          | Payments to and on account of leavers   | 7           | (3,595)          |
| (93,364)         |   |             | (93,378)         |
| <b>(6,093)</b>   | <b>Net Additions (Withdrawals) from dealings with Members</b>                           |             | <b>(6,128)</b>   |
| (11,864) *       | Management Expenses   | 8           | (15,186)         |
| <b>(17,957)</b>  | <b>Net Additions (Withdrawals) including fund management expenses</b>                   |             | <b>(21,314)</b>  |
|                  | <b>Returns on Investments</b>   |             |                  |
| 13,913 *         | Investment Income   | 9           | 32,187           |
| 0                | Other Income  |             | 0                |
| 0                | Taxes on Income (Irrecoverable Withholding Tax)   | 10          | (51)             |
|                  | Changes in the market value of investments  |             |                  |
| (217,439)        | Unrealised  | 11.2        | 186,742          |
| 30,270           | Realised  | 11.3        | 467,512          |
| <b>(173,256)</b> | <b>Net Return on Investments</b>  |             | <b>686,390</b>   |
| <b>(191,213)</b> | <b>Net Increase (Decrease) in the net assets available for benefits during the year</b> |             | <b>665,076</b>   |
| 2,575,686        | Opening Net Assets of Scheme  |             | 2,384,473        |
| <b>2,384,473</b> | <b>Closing Net Assets of Scheme</b>   |             | <b>3,049,549</b> |

\*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

## Net Assets Statement for the year ended 31 March 2021

| 31/03/20<br>£'000       |                                  | <u>Note</u> | 31/03/21<br>£'000       |
|-------------------------|----------------------------------|-------------|-------------------------|
| 2,365,404               | Investment Assets                |             | 3,029,868               |
| 12,215                  | Cash deposits                    |             | 11,376                  |
| 0                       | Investment liabilities           |             | 0                       |
| <u>2,377,619</u>        |                                  | 11.1        | <u>3,041,244</u>        |
| 10,386                  | Current assets                   | 15          | 12,723                  |
| (3,532)                 | Current liabilities              | 16          | (4,418)                 |
| <u>6,854</u>            | Net Current Assets/(Liabilities) |             | <u>8,305</u>            |
| <u><b>2,384,473</b></u> | <b>Total Net Assets</b>          |             | <u><b>3,049,549</b></u> |

## Reconciliation of the movement in Fund Net Assets

| 2019-20<br>£'000        |   | 2020-21<br>£'000        |
|-------------------------|---|-------------------------|
| 2,575,686               | Opening Net Assets  | 2,384,473               |
| (4,044)                 | Net New Money Invested  | 10,822                  |
| (187,169)               | Profit and losses on disposal of investments and changes in the market value of investments | 654,254                 |
| <u><b>2,384,473</b></u> | <b>Closing Net Assets of Fund</b>   | <u><b>3,049,549</b></u> |

## Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2021

### 1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and the administering authority (the Authority) is 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 2020-2021 (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 Committee (the Committee).

#### 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 69 employer organisations within the Dyfed Pension Fund as at 31 March 2021 and these are detailed in Note 20. The membership details of these organisations are summarised below:

| <b>31/03/20</b>        |   | <b>31/03/21</b>      |
|------------------------|---|----------------------|
| 18,564                 | Number of active contributors in the Fund | 18,700               |
| 14,059                 | Number of pensioners                      | 14,626               |
| 15,900                 | Number of deferred pensioners             | 15,881               |
| <u>2,259</u>           | Number of undecided leavers               | <u>2,293</u>         |
| <b><u>50,782</u> *</b> | <b>Total membership</b>                   | <b><u>51,500</u></b> |
| 46                     | Number of employers with active members   | 47                   |

\*Restated to include undecided leavers

These figures reflect the recorded position as at 31 March 2021 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 2021. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2019. Currently, employer contribution rates range from 7.4% to 27.6% of pensionable pay as detailed in Note 20.

### 1.4 Benefits

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

|                 | <b>Service pre 1 April 2008</b>  | <b>Service 31 March 2008 - 31 March 2014</b>   |
|-----------------|--|--|
| <b>Pension</b>  | Each year is worth 1/80 x final pensionable salary.  | Each year is worth 1/60 x final pensionable salary.  |
| <b>Lump Sum</b> | 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 1<sup>st</sup> 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<sup>th</sup>. 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](http://www.dyfedpensionfund.org.uk)

## 2 **Basis of preparation**

The Statement of Accounts summarises the Fund's transactions for the 2020-2021 financial year and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-2021 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 £0.66m in 2020-2021 (2019-2020: Fee was £0.76m).

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 2020-2021, no fees are based on such estimates (2019-2020: £0).

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. The Council charged the Pension Fund an amount of £1.2m (£1.1m in 2019-20) in respect of administration and support during 2020-21.



## 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 UTMOST (previously 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 17.

## **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 21. 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 31st March 2021 was £38.5m (31st March 2020: £36.0m).

## 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 31st March 2021 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.<br><br>However, the assumptions interact in complex ways. |
| 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 £38.5m. There is a risk that this investment may be under or overstated in the accounts.           |
| Alternatives – Strategic Alternative Income Fund (SAIF) | The SAIF 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 SAIF investment is £84m. There is a risk that this investment may be under or overstated in the accounts.                                       |

## 6 Transfers in from other pension funds

| 2019-20      |  | 2020-21      |
|--------------|--|--------------|
| £'000        |  | £'000        |
| 0            | Group transfers in from other schemes and scheme mergers | 0            |
| 6,851        | Individual transfers in from other schemes               | 3,196        |
| <u>6,851</u> |  | <u>3,196</u> |

## 7 Payments to and on account of Leavers

| 2019-20        |   | 2020-21        |
|----------------|---|----------------|
| £'000          |   | £'000          |
| (196)          | Refunds to members leaving service        | (153)          |
| 20             | Payments for members joining state scheme | 1              |
| 0              | Group transfers                           | 0              |
| (3,421)        | Individual transfers                      | (3,443)        |
| <u>(3,597)</u> |   | <u>(3,595)</u> |

## 8 Management Expenses

| 2019-20         |                                | 2020-21         |
|-----------------|--------------------------------|-----------------|
| £'000           |                                | £'000           |
| Restated*       |                                |                 |
| (1,274)         | Administrative costs           | (1,354)         |
| (9,972) *       | Investment management expenses | (13,303)        |
| (618)           | Oversight and governance costs | (529)           |
| <u>(11,864)</u> |                                | <u>(15,186)</u> |

\*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

2020-21 Audit fees of £28,266 included within Oversight and governance costs. (2019-20 £28,280)

## 8.1 Investment Management Expenses

| 2020-21                     | £'000         | £'000           | £'000                    | £'000             |
|-----------------------------|---------------|-----------------|--------------------------|-------------------|
|                             | Total         | Management Fees | Performance Related Fees | Transaction Costs |
| Pooled Investments          | 8,958         | 4,477           | 660                      | 3,821             |
| Pooled Property Investments | 4,297         | 1,456           | 0                        | 2,841             |
|                             | <b>13,255</b> | <b>5,933</b>    | <b>660</b>               | <b>6,662</b>      |
| Custody Fees                | 48            |                 |                          |                   |
| Total                       | <b>13,303</b> |                 |                          |                   |

| 2019-20                     | £'000        | £'000           | £'000                    | £'000             |
|-----------------------------|--------------|-----------------|--------------------------|-------------------|
|                             | Total        | Management Fees | Performance Related Fees | Transaction Costs |
| Pooled Investments *        | 6,674        | 3,948           | 763                      | 1,963             |
| Pooled Property Investments | 3,268        | 1,561           | 0                        | 1,707             |
|                             | <b>9,942</b> | <b>5,509</b>    | <b>763</b>               | <b>3,670</b>      |
| Custody Fees                | 30           |                 |                          |                   |
| Total                       | <b>9,972</b> |                 |                          |                   |

\*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

## 9 Investment Income

| 2019-20       |   | 2020-21       |
|---------------|---|---------------|
| £'000         |   | £'000         |
| Restated*     |   |               |
| 2,752 *       | Income from pooled investments          | 23,898        |
| 11,057        | Income from pooled property investments | 8,265         |
| 104           | Interest on cash deposits               | 24            |
| <b>13,913</b> |   | <b>32,187</b> |

\*2019-20 figures have been restated to include management fees for the UK SAIF investment which were previously netted off against investment income.

In 2020-21, distributions paid in respect of the WPP funds were automatically reinvested to increase the market value of our holdings.

## 10 Taxation

| 2019-20  |                         | 2020-21     |
|----------|-------------------------|-------------|
| £'000    |                         | £'000       |
| 0        | Withholding tax -Pooled | (51)        |
| <b>0</b> |                         | <b>(51)</b> |

## 11 Investments

### 11.1 Net investment assets

| <b>Fair value<br/>31/03/2020<br/>£'000</b> |  | <b>Fair value<br/>31/03/2021<br/>£'000</b> |
|--|--|--|
|  | <b><u>Investment assets</u></b>          |  |
|  | <b>Pooled Investments *</b>              |  |
| 424,727                                    | UK Equities                              | 518,289                                    |
| 545,586                                    | Global Equities                          | 962,408                                    |
| 269,631                                    | US Equities                              | 0  |
| 9,879                                      | Canadian Equities                        | 15,352                                     |
| 62,469                                     | European Equities                        | 79,420                                     |
| 83,166                                     | Japanese Equities                        | 105,477                                    |
| 22,600                                     | Pacific Basin Equities                   | 32,241                                     |
| 194,260                                    | Emerging Markets Equities                | 267,934                                    |
| 0  | ACS World Low Carbon Equity Tracker Fund | 305,992                                    |
| 272,772                                    | Fixed Income                             | 258,679                                    |
| 107,390                                    | Index Linked                             | 61,172                                     |
| 53,198                                     | Alternatives                             | 84,314                                     |
| <b>2,045,678</b>                           |  | <b>2,691,278</b>                           |
|  | <b>Other Investments **</b>              |  |
| 319,669                                    | Pooled Property Investments              | 338,043                                    |
| <b>319,669</b>                             |  | <b>338,043</b>                             |
| 12,215                                     | <b>Cash deposits</b>                     | 11,376                                     |
| 57   | <b>Investment income due</b>             | 547  |
| 0  | <b>Amounts receivable for sales</b>      | 0  |
| <b>12,272</b>                              |  | <b>11,923</b>                              |
| <b>2,377,619</b>                           | <b>Total investment assets</b>           | <b>3,041,244</b>                           |
|  | <b><u>Investment liabilities</u></b>     |  |
| 0  | <b>Amounts payable for purchases</b>     | 0  |
| <b>0</b>                                   | <b>Total investment liabilities</b>      | <b>0</b>                                   |
| <b>2,377,619</b>                           | <b>Net investment assets</b>             | <b>3,041,244</b>                           |

\*2019-20 Equities, Fixed Income, Index Linked and Alternatives restated as now classified under Pooled Investments

\*\*2019-20 Property restated as now classified under Pooled Property Investments

## 11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £1,664m whilst sales totalled £1,176m. Acquisition costs are included in the purchase price of the investment.

|  | Fair value<br>31/03/2020<br>£'000 | Purchases<br>£'000 | Sales<br>£'000     | Fees<br>included in<br>NAV<br>£'000 | Cash<br>movement<br>£'000 | Change in<br>unrealised<br>gains/(losses)<br>£'000 | Fair value<br>31/03/2021<br>£'000 |
|--|-----------------------------------|--------------------|--------------------|-------------------------------------|---------------------------|--|-----------------------------------|
| Pooled investments                           | 2,045,678                         | 1,625,482          | (1,161,308)        | (6,896)                             | 0                         | 188,322  | 2,691,278                         |
| Pooled property investments                  | 319,669                           | 38,558             | (15,002)           | (3,603)                             | 0                         | (1,579)  | 338,043                           |
|  | <b>2,365,347</b>                  | <b>1,664,040</b>   | <b>(1,176,310)</b> | <b>(10,499)</b>                     | <b>0</b>                  | <b>186,743</b>                                     | <b>3,029,321</b>                  |
| <b>Other investment balances</b>             |                                   |                    |                    |                                     |                           |  |                                   |
| Cash deposits                                | 12,215                            | 0                  | 0                  | 0                                   | (839)                     | 0  | 11,376                            |
| Amount receivable for sales<br>investments   | 0                                 | 0                  | 0                  | 0                                   | 0                         | 0  | 0                                 |
| Investment income due                        | 0                                 | 0                  | 0                  | 0                                   | 0                         | 0  | 0                                 |
| Tax reclaims due                             | 57                                | 0                  | 0                  | 0                                   | 490                       | 0  | 547                               |
| Amounts payable for purchases<br>investments | 0                                 | 0                  | 0                  | 0                                   | 0                         | 0  | 0                                 |
|  | <b>2,377,619</b>                  | <b>1,664,040</b>   | <b>(1,176,310)</b> | <b>(10,499)</b>                     | <b>(349)</b>              | <b>186,743</b>                                     | <b>3,041,244</b>                  |

|  | Fair value<br>31/03/2019<br>£'000 | Purchases<br>£'000 | Sales<br>£'000  | Fees<br>included<br>in NAV<br>£'000 | Cash<br>movement<br>£'000 | Change in<br>unrealised<br>gains/(losses)<br>£'000 | Fair value<br>31/03/2020<br>£'000 |
|--|-----------------------------------|--------------------|-----------------|-------------------------------------|---------------------------|--|-----------------------------------|
| Pooled investments *                         | 2,235,913                         | 75,151             | (53,890)        | (4,493)                             | 0                         | (207,003)  | 2,045,678                         |
| Pooled property investments **               | 326,987                           | 16,155             | (11,221)        | (2,505)                             | 0                         | (9,747)  | 319,669                           |
|  | <b>2,562,900</b>                  | <b>91,306</b>      | <b>(65,111)</b> | <b>(6,998)</b>                      | <b>0</b>                  | <b>(216,750)</b>                                   | <b>2,365,347</b>                  |
| <b>Other investment balances</b>             |                                   |                    |                 |                                     |                           |  |                                   |
| Cash deposits                                | 7,052                             | 0                  | 0               | 0                                   | 5,163                     | (0)  | 12,215                            |
| Amount receivable for sales<br>investments   | 0                                 | 0                  | 0               | 0                                   | 0                         | 0  | 0                                 |
| Investment income due                        | 689                               | 0                  | 0               | 0                                   | 0                         | (689)  | 0                                 |
| Tax reclaims due                             | 207                               | 0                  | 0               | 0                                   | (150)                     | 0  | 57                                |
| Amounts payable for purchases<br>investments | 0                                 | 0                  | 0               | 0                                   | 0                         | 0  | 0                                 |
|  | <b>2,570,848</b>                  | <b>91,306</b>      | <b>(65,111)</b> | <b>(6,998)</b>                      | <b>5,013</b>              | <b>(217,439)</b>                                   | <b>2,377,619</b>                  |

\*2019-20 Equities, Fixed Income, Index Linked and Alternatives restated as now classified under Pooled Investments

\*\*2019-20 Property restated as now classified under Pooled Property Investments

### 11.3 Realised gains and losses

| <b>2019-20</b>       |                             | <b>2020-21</b>        |
|----------------------|-----------------------------|-----------------------|
| <b>£'000</b>         |                             | <b>£'000</b>          |
| 29,725               | Pooled investments          | 465,490               |
| 545                  | Pooled property investments | 2,022                 |
| <b><u>30,270</u></b> |                             | <b><u>467,512</u></b> |

### 11.4 Geographical analysis of investments

| <b>Fair value</b>       | <b>Geographical analysis</b>        | <b>Fair value</b>       |
|-------------------------|-------------------------------------|-------------------------|
| <b>31/03/20</b>         |                                     | <b>31/03/21</b>         |
| <b>£'000</b>            |                                     | <b>£'000</b>            |
| 1,208,494               | UK                                  | 1,122,806               |
| 179,147                 | Europe (excl UK)                    | 299,887                 |
| 573,598                 | North America                       | 886,212                 |
| 120,750                 | Japan                               | 182,072                 |
| 45,218                  | Pacific Rim                         | 78,773                  |
| 234,714                 | Emerging Markets                    | 342,427                 |
| 15,698                  | International pooled funds          | 51,981                  |
| 0                       | EMEA (Europe, Middle East & Africa) | 77,086                  |
| <b><u>2,377,619</u></b> |                                     | <b><u>3,041,244</u></b> |

### 11.5 Fund manager analysis

| <b>Market value</b>   | <b>Fund manager analysis</b> | <b>Market value</b>           |
|---|------------------------------|-------------------------------|
| <b>31/03/20</b>   |                              | <b>31/03/21</b>               |
| <b>Investments managed by the Wales Pension Partnership</b>         |                              |                               |
| <b>£'000</b>  | <b>%</b>                     | <b>%    £'000</b>             |
| 545,586   | 22.9                         | 40.1 1,221,087                |
| <b><u>545,586</u></b>   | <b><u>22.9</u></b>           | <b><u>40.1 1,221,087</u></b>  |
| <b>Investments managed outside of the Wales Pension Partnership</b> |                              |                               |
| <b>£'000</b>  | <b>%</b>                     | <b>%    £'000</b>             |
| 1,500,135   | 63.1                         | 48.7 1,479,752                |
| 296,395   | 12.5                         | 9.9 301,920                   |
| 35,503  | 1.5                          | 1.3 38,485                    |
| <b><u>1,832,033</u></b>   | <b><u>77.1</u></b>           | <b><u>59.9 1,820,157</u></b>  |
| <b><u>2,377,619</u></b>   | <b><u>100.0</u></b>          | <b><u>100.0 3,041,244</u></b> |



## 11.6 Wales Pension Partnership (WPP)

Included in Management Expenses (Table 8) is the cost of our involvement in the Wales Pension Partnership (WPP) collective Investment Pooling arrangement. The Oversight and Governance costs are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses are fees payable to Link Fund Solutions (the WPP operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). The underlying manager fees for the Global Credit Fund are not included in this table, these fees are disclosed in the Dyfed Pension Fund Annual Report. Further details on the WPP can be found in the Annual Report.

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2020-21 are below:

| <b>Wales Pension Partnership</b> |   |                     |
|----------------------------------|---|---------------------|
| <b>31/03/20</b>                  |   | <b>31/03/21</b>     |
| <b>£'000</b>                     |   | <b>£'000</b>        |
|                                  | <b>WPP oversight and governance costs</b> |                     |
| 70                               | Running Costs                             | 88                  |
|                                  | <b>WPP Investment Management expenses</b> |                     |
| 2,437                            | Fund Manager fees                         | 2,928               |
| 199                              | Transaction costs                         | 281                 |
| 93                               | Custody Fees                              | 147                 |
| <b><u>2,799</u></b>              |   | <b><u>3,444</u></b> |

## 12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2021:

|   | <b>Value as<br/>at<br/>31/03/2021<br/>£'000</b> | <b>Proportion of<br/>Investment<br/>Portfolio<br/>%</b> |
|---|---|---|
| Wales Pension Partnership Global Growth Fund  | 962,408   | 31.63   |
| BlackRock Aquila Life UK Equity Index Fund    | 518,105   | 17.03   |
| BlackRock ACS World Low Carbon Tracker Fund   | 305,992   | 10.06   |
| Wales Pension Partnership Global Credit Fund  | 258,679   | 8.50  |
| BlackRock iShares Emerging Markets Index Fund | 252,653   | 8.30  |

## 13 Financial Instruments

### 13.1 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.

| 2019-20   |                                   |  |                  | 2020-21   |                                   |  |                  |
|---|-----------------------------------|--|------------------|---|-----------------------------------|--|------------------|
| Designated<br>at fair value<br>through<br>profit and<br>loss<br>£'000 | Loans and<br>receivables<br>£'000 | Financial<br>liabilities<br>at<br>amortised<br>cost<br>£'000 | Total<br>£'000   | Designated<br>at fair value<br>through<br>profit and<br>loss<br>£'000 | Loans and<br>receivables<br>£'000 | Financial<br>liabilities<br>at<br>amortised<br>cost<br>£'000 | Total<br>£'000   |
| <b>Financial assets</b>   |                                   |  |                  |   |                                   |  |                  |
| 2,045,679   | 0                                 | 0  | 2,045,677        | 2,691,278   | 0                                 | 0  | 2,691,278        |
| 319,669   | 0                                 | 0  | 319,669          | 338,043   | 0                                 | 0  | 338,043          |
| 0   | 17,164                            | 0  | 17,164           | 0   | 20,174                            | 0  | 20,174           |
| 57  | 0                                 | 0  | 57               | 547   | 0                                 | 0  | 547              |
| 0   | 5,437                             | 0  | 5,437            | 0   | 3,925                             | 0  | 3,925            |
| <b>2,365,405</b>  | <b>22,601</b>                     | <b>0</b>   | <b>2,388,005</b> | <b>3,029,868</b>  | <b>24,099</b>                     | <b>0</b>   | <b>3,053,967</b> |
| <b>Financial liabilities</b>  |                                   |  |                  |   |                                   |  |                  |
| 0   | 0                                 | 0  | 0                | 0   | 0                                 | 0  | 0                |
| 0   | 0                                 | (3,532)  | (3,532)          | 0   | 0                                 | (4,418)  | (4,418)          |
| <b>0</b>  | <b>0</b>                          | <b>(3,532)</b>   | <b>(3,532)</b>   | <b>0</b>  | <b>0</b>                          | <b>(4,418)</b>   | <b>(4,418)</b>   |
| <b>2,365,405</b>  | <b>22,601</b>                     | <b>(3,532)</b>   | <b>2,384,473</b> | <b>3,029,868</b>  | <b>24,099</b>                     | <b>(4,418)</b>   | <b>3,049,549</b> |

\*2019-20 Equities, Fixed Income, Index Linked and Alternatives restated as now classified under Pooled Investments

\*\*2019-20 Property restated as now classified under Pooled Property Investments

### 13.2 Net gains and losses on financial instruments

| 2019-20<br>£'000                     | 2020-21<br>£'000 |
|--------------------------------------|------------------|
| <b>Financial assets</b>              |                  |
| (187,169)                            | 654,254          |
| <b>(187,169)</b>                     | <b>654,254</b>   |
| <b>0 Total Financial liabilities</b> |                  |
| <b>(187,169)</b>                     | <b>654,254</b>   |

### 13.3 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:

| <b>Carrying value</b>        | <b>Fair value</b> |   | <b>Carrying value</b> | <b>Fair value</b> |
|------------------------------|-------------------|---|-----------------------|-------------------|
| <b>31/03/20</b>              | <b>31/03/20</b>   |   | <b>31/03/21</b>       | <b>31/03/21</b>   |
| <b>£'000</b>                 | <b>£'000</b>      |   | <b>£'000</b>          | <b>£'000</b>      |
| <b>Financial assets</b>      |                   |   |                       |                   |
| 1,994,998                    | 2,365,404         | Fair value through profit and loss      | 2,483,219             | 3,029,868         |
| 22,601                       | 22,601            | Loans and receivables                   | 24,099                | 24,099            |
| <b>2,017,599</b>             | <b>2,388,005</b>  | <b>Total financial assets</b>           | <b>2,507,318</b>      | <b>3,053,967</b>  |
| <b>Financial liabilities</b> |                   |   |                       |                   |
| 0                            | 0                 | Fair value through profit and loss      | 0                     | 0                 |
| (3,532)                      | (3,532)           | Financial liabilities at amortised cost | (4,418)               | (4,418)           |
| <b>(3,532)</b>               | <b>(3,532)</b>    | <b>Total financial liabilities</b>      | <b>(4,418)</b>        | <b>(4,418)</b>    |
| <b>2,014,067</b>             | <b>2,384,473</b>  | <b>Total</b>                            | <b>2,502,900</b>      | <b>3,049,549</b>  |

### 13.4 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.

### 13.5 Fair value – Basis of valuation

| <b>Description of asset</b>            | <b>Valuation hierarchy</b> | <b>Basis of valuation</b>   | <b>Observable and unobservable inputs</b>  | <b>Key sensitivities affecting the valuations provided</b>   |
|--|----------------------------|---|--|--|
| Cash and Cash Equivalents              | Level 1                    | Carrying value is deemed to be fair value because of the short-term nature of these financial instruments | Not required   | Not required   |
| Pooled property investments:           | Level 1                    | Unit trust. Uses the bid market price on the final day of the accounting period.                          | Not required   | Not required   |
| Pooled investments: equity funds       | Level 2                    | The 'NAV' (net asset value) calculation is based on the market value of the underlying assets             | Evaluated price feeds  | Not required   |
| Pooled investments: fixed income funds | Level 2                    | The NAV calculation is based on the market value of the underlying fixed income securities                | Evaluated price feeds  | Not required   |
| Pooled property funds                  | Level 3                    | Fair value is ascertained from periodic valuations provided by those controlling the partnership          | Unobservable inputs-price depends on information not publicly available  | Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts                     |
| Pooled investments: alternatives       | Level 3                    | Fair value is ascertained from periodic valuations provided by asset's fund manager                       | Unobservable inputs-the fund is exposed to security and other assets that will not have readily assessable market values | Valuations may rely on internal and external pricing models. May also be affected by changes in accounting standard, policies or practices |

13.5 (continued from previous page)

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<br>market price | Using<br>observable<br>inputs | With<br>significant<br>unobservable<br>inputs |                  |
|---|------------------------|-------------------------------|---|------------------|
| Fair values at 31 March 2021                                | Level 1<br>£'000       | Level 2<br>£'000              | Level 3<br>£'000                              | Total<br>£'000   |
| <b>Financial assets</b>                                     |                        |                               |   |                  |
| Financial assets at fair value through profit and loss      | 10,005                 | 2,606,964                     | 412,899                                       | 3,029,868        |
| Loans and receivables                                       | 24,099                 | 0                             | 0   | 24,099           |
| <b>Total financial assets</b>                               | <b>34,104</b>          | <b>2,606,964</b>              | <b>412,899</b>                                | <b>3,053,967</b> |
| <b>Financial liabilities</b>                                |                        |                               |   |                  |
| Financial liabilities at fair value through profit and loss | 0                      | 0                             | 0   | 0                |
| Financial liabilities at amortised cost                     | (4,418)                | 0                             | 0   | (4,418)          |
| <b>Total financial liabilities</b>                          | <b>(4,418)</b>         | <b>0</b>                      | <b>0</b>                                      | <b>(4,418)</b>   |
| <b>Net financial assets</b>                                 | <b>29,686</b>          | <b>2,606,964</b>              | <b>412,899</b>                                | <b>3,049,549</b> |

|   | Quoted<br>market price | Using<br>observable<br>inputs | With significant<br>unobservable<br>inputs |                  |
|---|------------------------|-------------------------------|--|------------------|
| Fair values at 31 March 2020 *                              | Level 1 *<br>£'000     | Level 2 *<br>£'000            | Level 3 *<br>£'000                         | Total<br>£'000   |
| <b>Financial assets</b>                                     |                        |                               |  |                  |
| Financial assets at fair value through profit and loss      | 325                    | 1,992,478                     | 372,601                                    | 2,365,404        |
| Loans and receivables                                       | 22,601                 | 0                             | 0  | 22,601           |
| <b>Total financial assets</b>                               | <b>22,926</b>          | <b>1,992,478</b>              | <b>372,601</b>                             | <b>2,388,005</b> |
| <b>Financial liabilities</b>                                |                        |                               |  |                  |
| Financial liabilities at fair value through profit and loss | 0                      | 0                             | 0  | 0                |
| Financial liabilities at amortised cost                     | (3,532)                | 0                             | 0  | (3,532)          |
| <b>Total financial liabilities</b>                          | <b>(3,532)</b>         | <b>0</b>                      | <b>0</b>                                   | <b>(3,532)</b>   |
| <b>Net financial assets</b>                                 | <b>19,394</b>          | <b>1,992,478</b>              | <b>372,601</b>                             | <b>2,384,473</b> |

\*2019-20 restated due to movement of assets between levels

### 13.6 Reconciliation of fair value measurements within level 3

2020-21

| Asset Type                  | Market Value<br>01 April 2020<br>£'000 | Purchases<br>£'000 | Sales<br>£'000 | Unrealised<br>Gains /<br>(Losses)<br>£'000 | Realised<br>Gains /<br>(Losses)<br>£'000 | Market Value<br>31 March 2021<br>£'000 |
|-----------------------------|--|--------------------|----------------|--|--|--|
| Alternatives *              | 53,199                                 | 32,669             | 0              | (1,554)                                    | 0  | 84,314                                 |
| Pooled property investments | 319,402                                | 22,095             | (7,575)        | (7,351)                                    | 2,015                                    | 328,585                                |
| <b>Total</b>                | <b>372,601</b>                         | <b>54,764</b>      | <b>(7,575)</b> | <b>(8,905)</b>                             | <b>2,015</b>                             | <b>412,899</b>                         |

\*Alternatives were moved to Level 3 in 2020-21 therefore 2019-20 has been restated

### 13.7 Transfers between levels 1 and 2

There were transfers between levels 1 and 2 investments in 2020-21. Subject to a review, all BlackRock equity pooled investment funds were moved to Level 2

## 14 **Nature and extent of risks arising from financial instruments**

### 14.1 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](http://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 Committee. 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.

### 14.2 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 Committee 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

#### 14.3 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.

LGPS defined benefit pensions are not linked to stock market performance and are set out in statute. Although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer term impacts.

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

#### 14.4 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:

| <b>Asset Type</b> | <b>Potential market movements (+/-)</b> |
|-------------------|---|
| Equity            | 15.30%                                  |
| Bonds             | 6.30%                                   |
| Alternatives      | 3.80%                                   |
| Property          | 2.20%                                   |
| Cash              | 0.80%                                   |

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         |        | Increase         | Decrease         |
|                               | 2021             |        | £'000            | £'000            |
|                               | £'000            | %      | £'000            | £'000            |
| Cash                          | 11,376           | 0.80%  | 11,467           | 11,285           |
| UK Equities                   | 518,289          | 15.30% | 597,587          | 438,991          |
| Overseas Equities             | 806,416          | 15.30% | 929,797          | 683,034          |
| Global Pooled Equities inc UK | 962,408          | 15.30% | 1,109,657        | 815,160          |
| Alternatives                  | 84,314           | 3.80%  | 87,518           | 81,110           |
| Bonds                         | 319,851          | 6.30%  | 340,001          | 299,700          |
| Property                      | 338,043          | 2.20%  | 345,480          | 330,606          |
| Sales receivable              | 0                | 0.00%  | 0                | 0                |
| Purchases payable             | 0                | 0.00%  | 0                | 0                |
| Income receivables            | 547              | 0.00%  | 547              | 547              |
| <b>Total Assets</b>           | <b>3,041,244</b> |        | <b>3,422,054</b> | <b>2,660,433</b> |

| Asset Type                    | Value as at 31   | Change | Value on         | Value on         |
|-------------------------------|------------------|--------|------------------|------------------|
|                               | March 2020       |        | Increase         | Decrease         |
|                               | £'000            |        | £'000            | £'000            |
|                               | £'000            | %      | £'000            | £'000            |
| Cash                          | 12,215           | 1.00%  | 12,337           | 12,093           |
| UK Equities                   | 424,727          | 13.20% | 480,791          | 368,663          |
| Overseas Equities             | 642,005          | 13.20% | 726,749          | 557,260          |
| Global Pooled Equities inc UK | 545,586          | 13.20% | 617,603          | 473,568          |
| Alternatives                  | 53,198           | 13.20% | 60,220           | 46,176           |
| UK Corporate Bonds            | 272,772          | 6.70%  | 291,048          | 254,496          |
| Index Linked Gilts            | 107,390          | 8.50%  | 116,518          | 98,262           |
| Property                      | 319,669          | 2.80%  | 328,620          | 310,718          |
| Sales receivable              | 0                | 0.00%  | 0                | 0                |
| Purchases payable             | 0                | 0.00%  | 0                | 0                |
| Income receivables            | 57               | 0.00%  | 57               | 57               |
| <b>Total Assets</b>           | <b>2,377,619</b> |        | <b>2,633,943</b> | <b>2,121,293</b> |

#### 14.4.1 Sensitivity of assets valued at level 3

| Asset Type                  | Value as at    | Change | Value on       | Value on       |
|-----------------------------|----------------|--------|----------------|----------------|
|                             | 31 March       |        | Increase       | Decrease       |
|                             | 2021           |        | £'000          | £'000          |
|                             | £'000          | %      | £'000          | £'000          |
| Alternatives                | 84,314         | 3.80%  | 87,518         | 81,110         |
| Pooled Investment Property  | 328,585        | 2.20%  | 335,814        | 321,356        |
| <b>Total Level 3 Assets</b> | <b>412,899</b> |        | <b>423,332</b> | <b>402,466</b> |



#### 14.5 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 Committee 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 2020 and 31 March 2021 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

| <b>31/03/20 Asset type</b>       | <b>31/03/21</b>       |
|----------------------------------|-----------------------|
| <b>£'000</b>                     | <b>£'000</b>          |
| 12,215 Cash and cash equivalents | 11,376                |
| 4,949 Cash held at CCC           | 8,798                 |
| 380,162 Bonds                    | 319,851               |
| <b><u>397,326 Total</u></b>      | <b><u>340,025</u></b> |

#### 14.6 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:

| <b>Asset type</b>                       | <b>Value as</b>       | <b>Change in year in the net assets available to pay</b> |                       |
|---|-----------------------|--|-----------------------|
|   | <b>at</b>             | <b>benefits</b>  |                       |
|   | <b>31/03/21</b>       | <b>+1%</b>   | <b>-1%</b>            |
|   | <b>£'000</b>          | <b>£'000</b>   | <b>£'000</b>          |
| Cash and cash equivalents               | 11,376                | 114  | (114)                 |
| Cash held at CCC                        | 8,798                 | 88   | (88)                  |
| Bonds                                   | 319,851               | 3,199  | (3,199)               |
| <b>Total change in available assets</b> | <b><u>340,025</u></b> | <b><u>3,401</u></b>                                      | <b><u>(3,401)</u></b> |

| <b>Asset type</b>                       | <b>Value as at</b>    | <b>Change in year in the net assets available to pay</b> |                       |
|---|-----------------------|--|-----------------------|
|   | <b>31/03/20</b>       | <b>benefits</b>  |                       |
|   | <b>£'000</b>          | <b>+1%</b>   | <b>-1%</b>            |
|   | <b>£'000</b>          | <b>£'000</b>   | <b>£'000</b>          |
| Cash and cash equivalents               | 12,215                | 122  | (122)                 |
| Cash held at CCC                        | 4,949                 | 49   | (49)                  |
| Bonds                                   | 380,162               | 3,802  | (3,802)               |
| <b>Total change in available assets</b> | <b><u>397,326</u></b> | <b><u>3,973</u></b>                                      | <b><u>(3,973)</u></b> |

## 14.7 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.

## 14.8 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 Committee 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 2020 and as at 31 March 2021:

| <b>Fair value<br/>31/03/20<br/>£'000</b> | <b>Asset type</b>                    | <b>Fair value<br/>31/03/21<br/>£'000</b> |
|--|--------------------------------------|--|
| 1,143,481                                | Overseas pooled investments          | 1,878,163                                |
| 25,578                                   | Overseas pooled property investments | 40,276                                   |
| 66                                       | Cash                                 | 0  |
| <b>1,169,125</b>                         | <b>Total overseas assets</b>         | <b>1,918,439</b>                         |

## 14.9 Currency risk sensitivity analysis

The aggregate currency risk within the Fund as at 31 March 2021 was 6.80% (2019-20: 7.40%).

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

A 6.80% 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:

| <b>Asset type</b>                       | <b>Fair value<br/>31/03/21<br/>£'000</b> | <b>Change in year in the net assets<br/>available to pay benefits</b> |                         |
|---|--|---|-------------------------|
|   |  | <b>+6.80%<br/>£'000</b>   | <b>-6.80%<br/>£'000</b> |
| Overseas pooled investments             | 1,878,163                                | 127,715   | (127,715)               |
| Overseas pooled property investments    | 40,276                                   | 2,739   | (2,739)                 |
| Cash                                    | 0  | 0   | 0                       |
| <b>Total change in available assets</b> | <b>1,918,439</b>                         | <b>130,454</b>  | <b>(130,454)</b>        |

| Asset type                              | Fair value       | Change in year in the net assets |                 |
|---|------------------|----------------------------------|-----------------|
|   | 31/03/20         | available to pay benefits        |                 |
|   |                  | +7.40%                           | -7.40%          |
|   | £'000            | £'000                            | £'000           |
| Overseas pooled investments             | 1,143,481        | 84,618                           | (84,618)        |
| Overseas pooled property investments    | 25,578           | 1,893                            | (1,893)         |
| Cash                                    | 66               | 5                                | (5)             |
| <b>Total change in available assets</b> | <b>1,169,125</b> | <b>86,516</b>                    | <b>(86,516)</b> |

#### 14.10 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.

#### 14.11 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.

## 15 Current assets

| 31/03/20      |                                 | 31/03/21      |
|---------------|---------------------------------|---------------|
| £'000         |                                 | £'000         |
|               | Contributions due from employer |               |
| 2,428         | - Employer                      | 1,784         |
| 1,696         | - Employee                      | 1,771         |
| 4,949         | Cash Balances                   | 8,798         |
| 1,313         | Debtors                         | 370           |
| <u>10,386</u> |                                 | <u>12,723</u> |

### 15.1 Analysis of Current assets

| 31/03/20      |                                       | 31/03/21      |
|---------------|---------------------------------------|---------------|
| £'000         |                                       | £'000         |
| 3             | HMRC                                  | 0             |
| 8,021         | Local authorities                     | 11,462        |
| 1             | NHS bodies                            | 1             |
| 1,117         | Public corporations and trading funds | 0             |
| 1,244         | Other entities and individuals        | 1,260         |
| <u>10,386</u> |                                       | <u>12,723</u> |

## 16 Current liabilities

| 31/03/20       |                 | 31/03/21       |
|----------------|-----------------|----------------|
| £'000          |                 | £'000          |
| (1,884)        | Unpaid benefits | (2,975)        |
| (1,648)        | Creditors       | (1,443)        |
| <u>(3,532)</u> |                 | <u>(4,418)</u> |

### 16.1 Analysis of Current liabilities

| 31/03/20       |                                       | 31/03/21       |
|----------------|---------------------------------------|----------------|
| £'000          |                                       | £'000          |
| (689)          | HMRC                                  | (680)          |
| (35)           | Local authorities                     | 0              |
| (606)          | Public corporations and trading funds | (367)          |
| (2,202)        | Other entities and individuals        | (3,371)        |
| <u>(3,532)</u> |                                       | <u>(4,418)</u> |

## 17 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 UTMOST (previously 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     | Contributions Expenditure |              | Change in    | Value as     |
|---------------|--------------|---------------------------|--------------|--------------|--------------|
|               | at 31/03/20  | £ '000                    | £ '000       | Market Value | at 31/03/21  |
|               | Restated     |                           |              | £ '000       | £ '000       |
| Prudential**  | 6,276        | 0                         | 0            | 0            | 6,276        |
| UTMOST*       | 497          | 7                         | (105)        | 32           | 431          |
| Standard Life | 2,797        | 340                       | (382)        | 252          | 3,007        |
| <b>Total</b>  | <b>9,570</b> | <b>347</b>                | <b>(487)</b> | <b>284</b>   | <b>9,714</b> |

\* UTMOST Value as at 31/03/20 restated.

\*\* Prudential 2020-21 figures not yet available

## 18 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 2019.

For more details, and to view the Funding Strategy Statement (FSS), please refer to the Fund's website – [www.dyfedpensionfund.org.uk](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2020-21.

## 19 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 £1.154 million (2019-2020: £1.108 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 £36.295 million to the Fund in 2020-2021 (2019-2020: £35.015 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 2021, the Fund had an average investment balance of £26.18 million (2019-2020: £18.64 million) earning interest of £47,300 (2019-2020: £140,466).

## 19.1 Governance

### Pension Committee

There are three members and one substitute member of the Pension Committee. During 2020-21 these were Councillor Elwyn Williams, Councillor Deryk Cundy (active member), Councillor Jim Jones and the substitute was Councillor Dai Thomas (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 Committee members and the Senior Officers that advise the Committee are required to declare their interest at each meeting. The Committee 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 Pension Board was approved by County Council on the 11<sup>th</sup> February 2015 effective from 1<sup>st</sup> 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](http://www.dyfedpensionfund.org.uk) and the Annual Report and Accounts 2020-21.

## 19.2 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:

| <b>31/03/20</b> |                          | <b>31/03/21</b> |
|-----------------|--------------------------|-----------------|
| <b>£'000</b>    |                          | <b>£'000</b>    |
| 14              | Short-term benefits      | 15              |
| 3               | Post-employment benefits | 4               |
| <u>17</u>       |                          | <u>19</u>       |

## 20 Employing bodies contribution rates, contributions receivable and benefits payable

| Contri-<br>bution<br>rate<br>%        | 2019-20   |                             |                              |                                   | 2020-21                        |   |                             |                              |
|---------------------------------------|---|-----------------------------|------------------------------|-----------------------------------|--------------------------------|---|-----------------------------|------------------------------|
|                                       | Deficit/<br>(Surplus)<br>Contri-<br>bution<br>£'000 | Contri-<br>butions<br>£'000 | Benefits<br>payable<br>£'000 |                                   | Contri-<br>bution<br>rate<br>% | Deficit/<br>(Surplus)<br>Contri-<br>bution<br>£'000 | Contri-<br>butions<br>£'000 | Benefits<br>payable<br>£'000 |
| <b>Scheduled bodies</b>               |   |                             |                              |                                   |                                |   |                             |                              |
| 15.1                                  | 2,720   | 32,295                      | 37,661                       | Carmarthenshire County Council    | 19.9                           | (2,594)   | 38,888                      | 38,134                       |
| 15.6                                  | 889   | 18,210                      | 19,553                       | Pembrokeshire County Council      | 19.8                           | (1,988)   | 21,868                      | 19,803                       |
| 15.3                                  | 241   | 11,799                      | 13,417                       | Ceredigion County Council         | 20.1                           | (2,149)   | 13,838                      | 12,884                       |
|                                       |   |                             |                              | Office for the Police & Crime     |                                |   |                             |                              |
| 13.5                                  | 93  | 4,875                       | 3,100                        | Commissioner for Dyfed-Powys      | 17.8                           | (6)   | 6,287                       | 3,116                        |
| 14.1                                  | 76  | 1,346                       | 1,194                        | Mid & West Wales Fire Authority   | 18.1                           | (188)   | 1,667                       | 1,511                        |
| 16.2                                  | 0   | 402                         | 509                          | Coleg Ceredigion                  | 16.2                           | 0   | 276                         | 291                          |
| 16.1                                  | 117   | 1,628                       | 1,005                        | Coleg Sir Gar                     | 16.1                           | 122   | 1,619                       | 1,143                        |
|                                       |   |                             |                              | Pembrokeshire Coast National Park |                                |   |                             |                              |
| 15.8                                  | (87)  | 667                         | 910                          | Authority                         | 15.8                           | (90)  | 717                         | 879                          |
| 15.0                                  | 87  | 1,129                       | 551                          | Pembrokeshire College             | 15.0                           | 90  | 1,208                       | 385                          |
|                                       | 4,136   | 72,351                      | 77,900                       |                                   |                                | (6,803)   | 86,368                      | 78,146                       |
| <b>Designated (Resolution) bodies</b> |   |                             |                              |                                   |                                |   |                             |                              |
| 23.0                                  | 0   | 16                          | 13                           | Aberystwyth Town Council          | 23.0                           | 0   | 13                          | 13                           |
| 24.9                                  | 0   | 0                           | 0                            | Aberaeron Town Council            | 0.0                            | 0   | 0                           | 0                            |
| 17.9                                  | 18  | 80                          | 99                           | Carmarthen Town Council           | 17.9                           | 18  | 69                          | 112                          |
| 21.6                                  | 0   | 33                          | 0                            | Cwmamman Town Council             | 21.6                           | 0   | 37                          | 0                            |
| 21.7                                  | 0   | 14                          | 0                            | Llanedi Community Council         | 21.7                           | 0   | 16                          | 0                            |
| 24.0                                  | 1   | 6                           | 4                            | Gorslas Community Council         | 24.0                           | 1   | 6                           | 4                            |
| -                                     | 0   | 12                          | 32                           | Haverfordwest Town Council        | -                              | 0   | 12                          | 43                           |
| 27.6                                  | 10  | 15                          | 12                           | Kidwelly Town Council             | 27.6                           | 10  | 15                          | 12                           |
| 20.7                                  | 0   | 2                           | 1                            | Llanbadam Fawr Community Council  | 20.7                           | 0   | 2                           | 1                            |
| 24.9                                  | 0   | 0                           | 1                            | Llanarthne Community Council      | 0.0                            | 0   | 0                           | 1                            |
| 15.9                                  | 6   | 213                         | 214                          | Llanelli Rural Council            | 15.9                           | 6   | 219                         | 241                          |
| 19.1                                  | 7   | 62                          | 104                          | Llanelli Town Council             | 19.1                           | 8   | 64                          | 111                          |
| 15.9                                  | 0   | 9                           | 0                            | Llangennech Community Council     | 15.9                           | 0   | 8                           | 0                            |
| 19.5                                  | 5   | 34                          | 12                           | Llannon Community Council         | 19.5                           | 5   | 54                          | 17                           |
| 19.6                                  | (2)   | 53                          | 42                           | Pembrey & Burry Port Town Council | 19.6                           | (2)   | 68                          | 66                           |
| 16.3                                  | (2)   | 10                          | 19                           | Tenby Town Council                | 16.3                           | (2)   | 11                          | 12                           |
| 16.6                                  | 1   | 14                          | 0                            | Pembroke Town Council             | 16.6                           | 1   | 14                          | 0                            |
| 13.5                                  | 1   | 10                          | 0                            | Pembroke Dock Town Council        | 13.5                           | 1   | 11                          | 0                            |
|                                       | 45  | 583                         | 553                          |                                   |                                | 46  | 619                         | 633                          |

(continued overleaf)

(continued from previous page)

| 2019-20                                |                            |                             |                              | 2020-21                                       |                            |                             |                              |       |
|--|----------------------------|-----------------------------|------------------------------|---|----------------------------|-----------------------------|------------------------------|-------|
| Contri-<br>bution<br>rate<br>%         | Deficit/<br>(Surplus)      |                             | Benefits<br>payable<br>£'000 | Contri-<br>bution<br>rate<br>%                | Deficit/<br>(Surplus)      |                             | Benefits<br>payable<br>£'000 |       |
|  | Contri-<br>bution<br>£'000 | Contri-<br>butions<br>£'000 |                              |   | Contri-<br>bution<br>£'000 | Contri-<br>butions<br>£'000 |                              |       |
| <b>Admission bodies</b>                |                            |                             |                              |   |                            |                             |                              |       |
| <b>Community Admission Body (CAB)</b>  |                            |                             |                              |   |                            |                             |                              |       |
| 17.9                                   | 12                         | 46                          | 24                           | Ceredigion Association of Voluntary Org.      | 17.9                       | 12                          | 46                           | 31    |
| 15.1                                   | (21)                       | 932                         | 1,126                        | Careers Wales                                 | 15.1                       | (22)                        | 992                          | 1,177 |
| 17.0                                   | 10                         | 29                          | 35                           | Carmarthenshire Assoc. of Voluntary Services  | 17.0                       | 11                          | 31                           | 35    |
| 27.6                                   | (9)                        | 13                          | 118                          | Carmarthenshire Federation of Young Farmers   | 27.6                       | 0                           | 2                            | 14    |
| 15.9                                   | 2                          | 13                          | 41                           | Iaith Cyf                                     | 15.9                       | 2                           | 12                           | 42    |
| 23.3                                   | 5                          | 3                           | 16                           | Leonard Cheshire Disability                   | 23.3                       | 5                           | 3                            | 16    |
| 0.0                                    | 0                          | 0                           | 38                           | Llanelli Burial Board                         | 0.0                        | 0                           | 0                            | 39    |
| 11.7                                   | 11                         | 72                          | 11                           | Menter Bro Dinefwr                            | 11.7                       | 11                          | 68                           | 11    |
| 10.5                                   | 30                         | 36                          | 32                           | Menter Cwm Gwendraeth                         | 10.5                       | 31                          | 32                           | 33    |
| 10.8                                   | 1                          | 55                          | 0                            | Menter Gorllewin Sir Gar                      | 10.8                       | 1                           | 62                           | 0     |
| 7.4                                    | (2)                        | 12                          | 10                           | Menter Iaith Castell-Nedd Port Talbot         | 7.4                        | (2)                         | 12                           | 10    |
| 19.3                                   | (3)                        | 4                           | 10                           | Narberth & District Community & Sports Assoc. | 19.3                       | 0                           | 1                            | 10    |
| 20.1                                   | 1                          | 61                          | 56                           | Pembrokeshire Assoc. of Voluntary Services    | 20.1                       | 1                           | 58                           | 100   |
| 13.7                                   | 5                          | 82                          | 27                           | PLANED  | 13.7                       | 5                           | 93                           | 68    |
| 15.8                                   | (6)                        | 253                         | 220                          | Tai Ceredigion/Barcud                         | 15.8                       | (6)                         | 402                          | 188   |
| 18.4                                   | 74                         | 659                         | 669                          | University of Wales-Trinity St David          | 18.4                       | 77                          | 540                          | 587   |
| 22.3                                   | 86                         | 11                          | 214                          | Aberystwyth University                        | 22.3                       | 90                          | 11                           | 229   |
| 14.7                                   | (24)                       | 236                         | 413                          | Books Council of Wales                        | 14.7                       | (25)                        | 368                          | 473   |
| 14.8                                   | 5                          | 31                          | 41                           | West Wales Action for Mental Health           | 14.8                       | 6                           | 25                           | 61    |
| 15.8                                   | (3)                        | 29                          | 75                           | Valuation Tribunal Wales                      | 15.8                       | (4)                         | 19                           | 75    |
| 14.2                                   | 1                          | 6                           | 0                            | Swim Narberth                                 | 14.2                       | 1                           | 1                            | 0     |
|  | 175                        | 2,583                       | 3,176                        |   |                            | 194                         | 2,778                        | 3,199 |
| <b>Transferee Admission Body (TAB)</b> |                            |                             |                              |   |                            |                             |                              |       |
| 19.3                                   | 0                          | 17                          | 38                           | Pobl Group                                    | 19.3                       | 0                           | 18                           | 64    |
| 26.6                                   | 0                          | 0                           | 14                           | DANFO   | 0.0                        | 0                           | 0                            | 14    |
| 15.3                                   | 0                          | 398                         | 4                            | Llesiant Delta Wellbeing                      | 15.3                       | 0                           | 627                          | 24    |
| 21.2                                   | (7)                        | 65                          | 122                          | Human Support Group (HSG)                     | 0.0                        | 0                           | 3                            | 77    |
| 0.0                                    | 0                          | 0                           | 0                            | Compass Contract Services Ltd                 | 23.6                       | 0                           | 26                           | 5     |
| 0.0                                    | 0                          | 0                           | 0                            | Burry Port Marina Ltd                         | 22.2                       | 0                           | 9                            | 0     |
| 0.0                                    | 0                          | 0                           | 0                            | Visit Pembrokeshire                           | 23.4                       | 0                           | 5                            | 0     |
|  | (7)                        | 480                         | 178                          |   |                            | 0                           | 688                          | 184   |

(continued overleaf)



(continued from previous page)

| Contri-<br>bution<br>rate<br>%              | Deficit/<br>(Surplus)      |                             |                             | Benefits<br>payable<br>£'000   | Contri-<br>bution<br>rate<br>% | Deficit/<br>(Surplus)      |                             |                              |
|---|----------------------------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|----------------------------|-----------------------------|------------------------------|
|   | Contri-<br>bution<br>£'000 | Contri-<br>butions<br>£'000 | Contri-<br>butions<br>£'000 |                                |                                | Contri-<br>bution<br>£'000 | Contri-<br>butions<br>£'000 | Benefits<br>payable<br>£'000 |
| <b>Bodies with no pensionable employees</b> |                            |                             |                             |                                |                                |                            |                             |                              |
| 0.0   | 0                          | 6                           | 7                           | DVLA                           | 0.0                            | 0                          | 6                           | 7                            |
| 0.0   | 0                          | 0                           | 13                          | Cardigan Swimming Pool         | 0.0                            | 0                          | 24                          | 13                           |
| 0.0   | 0                          | 0                           | 41                          | PRISM                          | 0.0                            | 0                          | 64                          | 110                          |
| 0.0   | 0                          | 52                          | 320                         | Dyfed Powys Magistrates Courts | 0.0                            | 0                          | 53                          | 325                          |
| 0.0   | 0                          | 1                           | 7                           | Carmarthen Family Centre       | 0.0                            | 0                          | 1                           | 7                            |
| 0.0   | 0                          | 2                           | 4                           | Milford Haven Town Council     | 0.0                            | 0                          | 2                           | 4                            |
| 0.0   | 0                          | 0                           | 2                           | Mencap                         | 0.0                            | 0                          | 0                           | 2                            |
| 0.0   | 0                          | 0                           | 7,527                       | Dyfed County Council           | 0.0                            | 0                          | 0                           | 7,112                        |
| 0.0   | 0                          | 0                           | 2                           | Dyfed AVS                      | 0.0                            | 0                          | 0                           | 2                            |
| 0.0   | 0                          | 7                           | 7                           | NHS                            | 0.0                            | 0                          | 7                           | 8                            |
| 0.0   | 0                          | 4                           | 16                          | Welsh Water                    | 0.0                            | 0                          | 4                           | 16                           |
| 0.0   | 0                          | 0                           | 7                           | Cwm Environmental              | 0.0                            | 0                          | 0                           | 7                            |
| 0.0   | 0                          | 0                           | 5                           | Cartrefi Cymru                 | 0.0                            | 0                          | 0                           | 6                            |
| 0.0   | 0                          | 2                           | 2                           | Rent Officer Service           | 0.0                            | 0                          | 2                           | 2                            |
|   | 0                          | 74                          | 7,960                       |                                |                                | 0                          | 163                         | 7,621                        |
|   | <b>4,349</b>               | <b>76,071</b>               | <b>89,767</b>               | <b>Total</b>                   |                                | <b>(6,563)</b>             | <b>90,616</b>               | <b>89,783</b>                |

## 20.1 Bodies with No Pensionable Employees where pension increase is recharged

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

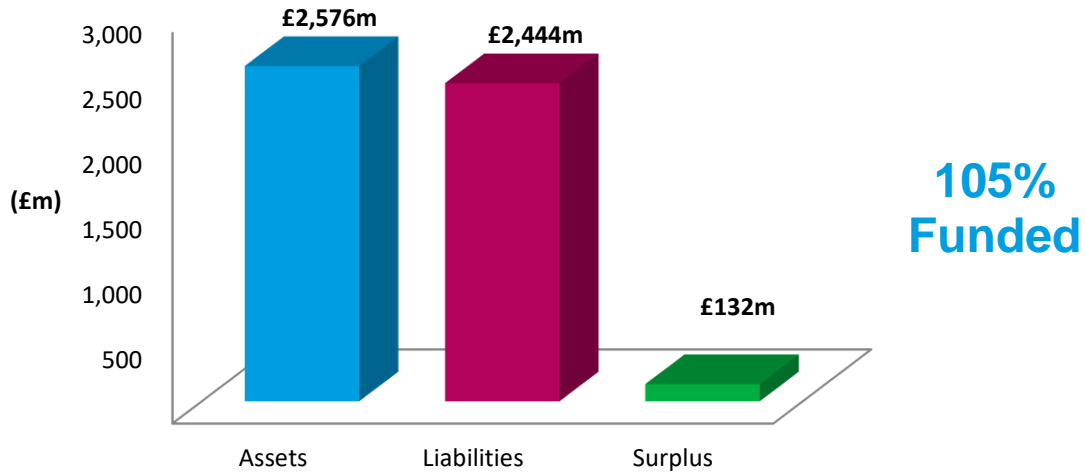
|                            | <b>Proportion to<br/>be recharged<br/>%</b> |
|----------------------------|---|
| DVLA                       | 100   |
| Milford Haven Town Council | 100   |
| National Health Service    | 100   |
| Carmarthen Family Centre   | 100   |
| Dwr Cymru Welsh Water      | 50  |

## 21 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £2,576 million represented 105% of the Fund's past service liabilities of £2,444 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 18.3% 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 FSS is to achieve and 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. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 14 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an offset of approximately £3m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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) 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 Solvency Funding Target and the Primary rate of contribution were as follows:

|   | For past service liabilities<br>(Solvency Funding Target) | For future service liabilities<br>(Primary rate of contribution) |
|---|---|--|
| Rate of return on investments<br>(discount rate)                  | 4.1% per annum  | 4.65% per annum  |
| Rate of pay increases (long<br>term)                              | 3.9% per annum  | 3.9% per annum   |
| Rate of increases in pensions<br>in payment (in excess of<br>GMP) | 2.4% per annum  | 2.4% per annum   |

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

### **The McCloud Judgment**

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £28 million and an increase in the Primary Contribution rate of 1.1% of Pensionable Pay per annum. Provision for these costs has been included within the secondary rate for all employers (and also within the whole Fund average Secondary rate of £3 million per annum offset shown above).

### **Impact of Covid 19**

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited as a general rule but the Administering Authority has consulted on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

## 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 2021 (the 31 March 2020 assumptions are included for comparison):

|  | 31 March 2020  | 31 March 2021  |
|--|----------------|----------------|
| Rate of return on investments (discount rate)                                      | 2.4% per annum | 2.1% per annum |
| Rate of CPI Inflation / CARE benefit revaluation                                   | 2.1% per annum | 2.7% per annum |
| Rate of pay increases*   | 3.6% per annum | 4.2% per annum |
| Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation | 2.2% per annum | 2.8% per annum |

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 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a.). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £3,447 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£82 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£53 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £573 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £4,155 million.

### GMP Indexation

The public service schemes are were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to, a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

### Clive Lewis

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July 2021