

## **PRE-AUDIT DYFED PENSION FUND STATEMENT OF ACCOUNTS 2022-23**

### **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 2022-23. 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 2022-23 (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.

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; and
- 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; and
- Complied with the Code

## Certification of Accounts

I certify that the Statement of Accounts on pages 3 to 37 gives a true and fair view of the financial position of the Dyfed Pension Fund at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.



Chris Moore FCCA  
Director of Corporate Services

Dated:

14/09/23

## Fund Account for the Year Ended 31 March 2023

2021-22 £'000		<u>Note</u>	2022-23 £'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
	Contributions		
	Employer		
68,144	Normal		74,089
5,397	Augmentation		4,805
(7,373)	Past Service Deficit/(Surplus)		(7,663)
	Member		
22,519	Normal		24,489
328	Additional voluntary		197
4,196	Transfers in from other pension funds	6	4,999
93,211			100,916
	Benefits payable		
(77,001)	Pensions payable		(81,118)
(14,174)	Commutation and lump sum retirement benefits		(15,635)
(1,227)	Lump sum death benefits		(2,670)
(3,534)	Payments to and on account of leavers	7	(4,530)
(95,936)			(103,953)
<b>(2,725)</b>	<b>Net Additions (Withdrawals) from dealings with Members</b>		<b>(3,037)</b>
(14,411)	Management Expenses	8	(13,567)
<b>(17,136)</b>	<b>Net Additions (Withdrawals) including fund management expenses</b>		<b>(16,604)</b>
	<b>Returns on Investments</b>		
32,138	Investment Income	9	27,472
(2)	Taxes on Income (Irrecoverable Withholding Tax)	10	0
	Changes in the market value of investments		
122,786	Unrealised	11.2	(106,241)
55,269	Realised	11.3	(4,696)
<b>210,191</b>	<b>Net Return on Investments</b>		<b>(83,465)</b>
<b>193,055</b>	<b>Net Increase (Decrease) in the net assets available for benefits during the year</b>		<b>(100,069)</b>
3,049,549	Opening Net Assets of Scheme		3,242,604
<b>3,242,604</b>	<b>Closing Net Assets of Scheme</b>		<b>3,142,535</b>

## Net Assets Statement for the year ended 31 March 2023

31/03/22 £'000		<u>Note</u>	31/03/23 £'000
3,211,708	Investment Assets		3,109,619
24,969	Cash deposits		27,061
0	Investment liabilities		0
<u>3,236,677</u>		11.1	<u>3,136,680</u>
9,323	Current assets	15	11,224
(3,396)	Current liabilities	16	(5,369)
<u>5,927</u>	Net Current Assets/(Liabilities)		<u>5,855</u>
<u><b>3,242,604</b></u>	<b>Total Net Assets</b>		<u><b>3,142,535</b></u>

## Reconciliation of the movement in Fund Net Assets

2021-22 £'000		2022-23 £'000
3,049,549	Opening Net Assets	3,242,604
15,000	Net New Money Invested	10,868
178,055	Profit and losses on disposal of investments and changes in the market value of investments	(110,937)
<u><b>3,242,604</b></u>	<b>Closing Net Assets of Fund</b>	<u><b>3,142,535</b></u>

## Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2023

### 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.

#### 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 benefit 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

Members of the LGPS are automatically enrolled and are free to choose whether to 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 2023 and these are detailed in Note 20. The membership details of these organisations are summarised below:

<b>31/03/22</b>		<b>31/03/23</b>
18,643	Number of active contributors in the Fund	19,355
15,342	Number of pensioners	16,009
16,214	Number of deferred pensioners	16,373
<u>2,536</u>	Number of undecided leavers	<u>2,818</u>
<b><u>52,735</u></b>	<b>Total membership</b>	<b><u>54,555</u></b>
49	Number of employers with active members	50

These figures reflect the recorded position as at 31 March 2023 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 2023. 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 9.5% to 46.2% 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 2022-23 financial year and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 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 Authority 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 £0.36m in 2022-23 (2021-22: Fee was £0.26m).

The costs of the Authority's pension investments team are charged direct to the fund and a proportion of the Authority's costs representing management time spent by officers on investment management is also charged to the fund. The Authority charged the Pension Fund an amount of £1.2m (£1.1m in 2021-22) in respect of administration and support during 2022-23.



## 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, 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 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

### 4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31st March 2023 was £48.2m (31st March 2022: £46.3m).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 2023 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.  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 £48.2m. 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 £124.1m. There is a risk that this investment may be under or overstated in the accounts.

## 6 Transfers in from other pension funds

2021-22		2022-23
£'000		£'000
0	Group transfers in from other schemes and scheme mergers	0
4,196	Individual transfers in from other schemes	4,999
<u>4,196</u>		<u>4,999</u>

## 7 Payments to and on account of Leavers

2021-22		2022-23
£'000		£'000
(203)	Refunds to members leaving service	(273)
3	Payments for members joining state scheme	1
0	Group transfers	0
(3,334)	Individual transfers	(4,258)
<u>(3,534)</u>		<u>(4,530)</u>

## 8 Management Expenses

2021-22		2022-23
£'000		£'000
(1,409)	Administrative costs	(1,546)
(12,435)	Investment management expenses	(11,271)
(567)	Oversight and governance costs	(750)
<u>(14,411)</u>		<u>(13,567)</u>

2022-23 Audit fees of £36,113 (2021-22: £31,465) are included within Oversight and governance costs.

## 8.1 Investment Management Expenses

2022-23	£'000	£'000	£'000	£'000
	Total	Management Fees	Performance Related Fees	Transaction Costs
Pooled Investments	7,103	5,194	360	1,549
Pooled Property Investments	4,129	1,365	0	2,764
	<b>11,232</b>	<b>6,559</b>	<b>360</b>	<b>4,313</b>
Custody Fees	39			
Total	<b>11,271</b>			

2021-22	£'000	£'000	£'000	£'000
	Total	Management Fees	Performance Related Fees	Transaction Costs
Pooled Investments	7,787	5,604	262	1,921
Pooled Property Investments	4,609	1,380	0	3,229
	<b>12,396</b>	<b>6,984</b>	<b>262</b>	<b>5,150</b>
Custody Fees	39			
Total	<b>12,435</b>			

## 9 Investment Income

2021-22		2022-23
£'000		£'000
20,076	Income from pooled investments*	16,386
12,076	Income from pooled property investments	10,932
(14)	Interest on cash deposits	154
<b>32,138</b>		<b>27,472</b>

\*A stock dividend accumulation took place during 2022-23 for the WPP Global Growth Fund. From May 2022 income of £9.33m was retained in its market value price and will be reflected as income in the 2023-24 accounts.

## 10 Taxation

2021-22		2022-23
£'000		£'000
(2)	Withholding tax - equities	(0)
<b>(2)</b>		<b>(0)</b>

## 11 Investments

### 11.1 Net investment assets

<b>Fair value</b> <b>31/03/2022</b> <b>£'000</b>		<b>Fair value</b> <b>31/03/2023</b> <b>£'000</b>
	<b><u>Investment assets</u></b>	
	<b>Pooled Investments</b>	
570,137	UK Equities	562,035
987,519	Global Equities	978,714
85,436	European Equities	91,957
109,595	Japanese Equities	113,904
271,323	Emerging Markets Equities	282,817
324,448	ACS World Low Carbon Equity Tracker Fund	311,069
247,621	Fixed Income	226,700
31,515	Index Linked	10,781
120,559	Alternatives	124,097
<b>2,748,153</b>		<b>2,702,074</b>
	<b>Other Investments</b>	
461,700	Pooled Property Investments	407,472
<b>461,700</b>		<b>407,472</b>
24,969	<b>Cash deposits</b>	27,061
1,855	<b>Investment income due</b>	73
0	<b>Amounts receivable for sales</b>	0
<b>26,824</b>		<b>27,134</b>
<b>3,236,677</b>	<b>Total investment assets</b>	<b>3,136,680</b>
<b>3,236,677</b>	<b>Net investment assets</b>	<b>3,136,680</b>

## 11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £96m whilst sales totalled £81m. Purchase and sales costs are included in the purchase price and sales proceeds of the investment.

	Fair Value 31/03/2022 £'000	Purchases £'000	Sales £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair Value 31/03/2023 £'000
Pooled investments	2,748,153	72,012	(58,206)	(5,672)	0	(54,213)	2,702,074
Pooled property investments	461,700	24,166	(22,945)	(3,421)	0	(52,028)	407,472
	<b>3,209,853</b>	<b>96,178</b>	<b>(81,151)</b>	<b>(9,093)</b>	<b>0</b>	<b>(106,241)</b>	<b>3,109,546</b>
<b>Other investment balances</b>							
Cash deposits	24,969	0	0	0	2,092	0	27,061
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	1,798	0	0	0	(1,786)	0	12
Tax reclaims due	57	0	0	0	4	0	61
Amounts payable for purchases investments	0	0	0	0	0	0	0
	<b>3,236,677</b>	<b>96,178</b>	<b>(81,151)</b>	<b>(9,093)</b>	<b>310</b>	<b>(106,241)</b>	<b>3,136,680</b>

	Fair value 31/03/2021 £'000	Purchases £'000	Sales £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair value 31/03/2022 £'000
Pooled investments	2,691,278	126,369	(122,483)	(6,474)	0	59,463	2,748,153
Pooled property investments	338,043	93,102	(28,818)	(3,950)	0	63,323	461,700
	<b>3,029,321</b>	<b>219,471</b>	<b>(151,301)</b>	<b>(10,424)</b>	<b>0</b>	<b>122,786</b>	<b>3,209,853</b>
<b>Other investment balances</b>							
Cash deposits	11,376	0	0	0	13,593	0	24,969
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	477	0	0	0	1,321	0	1,798
Tax reclaims due	70	0	0	0	(13)	0	57
Amounts payable for purchases investments	0	0	0	0	0	0	0
	<b>3,041,244</b>	<b>219,471</b>	<b>(151,301)</b>	<b>(10,424)</b>	<b>14,901</b>	<b>122,786</b>	<b>3,236,677</b>

### 11.3 Realised gains and losses

2021-22		2022-23	
£'000		£'000	
53,587	Pooled investments	(868)	
1,682	Pooled property investments	(3,828)	
<b>55,269</b>		<b>(4,696)</b>	

### 11.4 Geographical analysis of investments

Fair value	Geographical analysis	Fair value
31/03/22		31/03/23
£'000		£'000
1,325,649	UK	1,238,321
288,453	Europe (excl UK)	355,774
964,677	North America	889,270
180,612	Japan	175,597
45,484	Pacific Rim	41,412
318,344	Emerging Markets	318,552
53,781	International pooled funds	50,424
59,677	EMEA (Europe, Middle East & Africa)	67,330
<b>3,236,677</b>		<b>3,136,680</b>

### 11.5 Fund manager analysis

Market value		Fund manager analysis		Market value
31/03/22				31/03/23
£'000	%		%	£'000
1,235,140	38.2	Wales Pension Partnership	38.4	1,205,414
<b>1,235,140</b>	<b>38.2</b>		<b>38.4</b>	<b>1,205,414</b>
1,514,713	46.8	BlackRock	48.0	1,503,729
440,490	13.6	Schroders	12.1	379,305
46,334	1.4	Partners Group	1.5	48,232
<b>2,001,537</b>	<b>61.8</b>		<b>61.6</b>	<b>1,931,266</b>
<b>3,236,677</b>	<b>100</b>		<b>100.0</b>	<b>3,136,680</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). 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 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 of £161k (2021-22: £179k) for the Global Credit Fund are not included in this table.

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2022-23 are below:

<b>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
	<b>WPP oversight and governance costs</b>	
135	Running Costs	158
	<b>WPP Investment Management expenses</b>	
3,926	Fund Manager fees	3,731
227	Transaction costs	241
184	Custody Fees	172
<u>4,472</u>		<u>4,302</u>

## 12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2023 and 31st March 2022:

	<b>Value as at 31/03/2023</b>	<b>Proportion of Investment Portfolio</b>
	<b>£'000</b>	<b>%</b>
Wales Pension Partnership Global Growth Fund	978,714	31.20
BlackRock Aquila Life UK Equity Index Fund	562,033	17.92
BlackRock ACS World Low Carbon Tracker Fund	311,069	9.92
BlackRock iShares Emerging Markets Index Fund	282,817	9.02
Wales Pension Partnership Global Credit Fund	226,700	7.23
	<b>Value as at 31/03/2022</b>	<b>Proportion of Investment Portfolio</b>
	<b>£'000</b>	<b>%</b>
Wales Pension Partnership Global Growth Fund	987,519	30.51
BlackRock Aquila Life UK Equity Index Fund	570,136	17.61
BlackRock ACS World Low Carbon Tracker Fund	324,448	10.02
BlackRock iShares Emerging Markets Index Fund	271,323	8.38
Wales Pension Partnership Global Credit Fund	247,621	7.65

## 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.

2021-22				2022-23			
Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Total £'000
2,748,153	0	0	2,748,153	2,702,074	0	0	2,702,074
461,700	0	0	461,700	407,472	0	0	407,472
0	29,447	0	29,447	0	33,706	0	33,706
1,855	0	0	1,855	73	0	0	73
0	4,845	0	4,845	0	4,579	0	4,579
<b>3,211,708</b>	<b>34,292</b>	<b>0</b>	<b>3,246,000</b>	<b>3,109,619</b>	<b>38,285</b>	<b>0</b>	<b>3,147,904</b>
0	0	0	0	0	0	0	0
0	0	(3,396)	(3,396)	0	0	(5,369)	(5,369)
0	0	(3,396)	(3,396)	0	0	(5,369)	(5,369)
<b>3,211,708</b>	<b>34,292</b>	<b>(3,396)</b>	<b>3,242,604</b>	<b>3,109,619</b>	<b>38,285</b>	<b>(5,369)</b>	<b>3,142,535</b>

### 13.2 Net gains and losses on financial instruments

2021-22 £'000		2022-23 £'000
	<b>Financial assets</b>	
178,055	Fair value through profit and loss	(110,937)
<b>178,055</b>	<b>Total financial assets</b>	<b>(110,937)</b>
<b>0</b>	<b>Total financial liabilities</b>	<b>0</b>
<b>178,055</b>	<b>Total</b>	<b>(110,937)</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:

Carrying value 31/03/22 £'000	Fair value 31/03/22 £'000		Carrying value 31/03/23 £'000	Fair value 31/03/23 £'000
<b>Financial assets</b>				
2,552,697	3,211,708	Fair value through profit and loss	2,565,943	3,109,619
34,292	34,292	Loans and receivables	38,285	38,285
<b>2,586,989</b>	<b>3,246,000</b>	<b>Total financial assets</b>	<b>2,604,228</b>	<b>3,147,904</b>
<b>Financial liabilities</b>				
0	0	Fair value through profit and loss	0	0
(3,396)	(3,396)	Financial liabilities at amortised cost	(5,369)	(5,369)
<b>(3,396)</b>	<b>(3,396)</b>	<b>Total financial liabilities</b>	<b>(5,369)</b>	<b>(5,369)</b>
<b>2,583,593</b>	<b>3,242,604</b>	<b>Total</b>	<b>2,598,859</b>	<b>3,142,535</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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 2	The 'NAV' (net asset value) calculation is based on the market value of the underlying assets	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 market price	Using observable inputs	With significant unobservable inputs	Total
Fair values at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	330	2,650,746	458,543	3,109,619
Loans and receivables	38,285	0	0	38,285
<b>Total financial assets</b>	<b>38,615</b>	<b>2,650,746</b>	<b>458,543</b>	<b>3,147,904</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(5,369)	0	0	(5,369)
<b>Total financial liabilities</b>	<b>(5,369)</b>	<b>0</b>	<b>0</b>	<b>(5,369)</b>
<b>Net financial assets</b>	<b>33,246</b>	<b>2,650,746</b>	<b>458,543</b>	<b>3,142,535</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Fair values at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	2,123	2,627,595	581,990	3,211,708
Loans and receivables	34,292	0	0	34,292
<b>Total financial assets</b>	<b>36,415</b>	<b>2,627,595</b>	<b>581,990</b>	<b>3,246,000</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(3,396)	0	0	(3,396)
<b>Total financial liabilities</b>	<b>(3,396)</b>	<b>0</b>	<b>0</b>	<b>(3,396)</b>
<b>Net financial assets</b>	<b>33,019</b>	<b>2,627,595</b>	<b>581,990</b>	<b>3,242,604</b>

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

#### 2022-23

Asset Type	Market Value 01 April 2022 £'000	Transfers out of Level 3* £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2023 £'000
Alternatives	120,559	0	12,086	0	(8,548)	0	124,097
Property	461,431	(89,911)	24,166	(12,337)	(44,311)	(4,593)	334,445
<b>Total</b>	<b>581,990</b>	<b>(89,911)</b>	<b>36,252</b>	<b>(12,337)</b>	<b>(52,859)</b>	<b>(4,593)</b>	<b>458,542</b>

\*The transfers out of Level 3 for Property were due to the reclassification of two funds by the investment manager during 2022-23.

#### 2021-22

Asset Type	Market Value 01 April 2021 £'000	Transfers out of Level 3 £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2022 £'000
Alternatives	84,314	0	34,132	0	2,113	0	120,559
Property	328,585	0	93,102	(19,524)	57,097	2,171	461,431
<b>Total</b>	<b>412,899</b>	<b>0</b>	<b>127,234</b>	<b>(19,524)</b>	<b>59,210</b>	<b>2,171</b>	<b>581,990</b>

### 13.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2022-23.

## 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.dvfpensionfund.org.uk](http://www.dvfpensionfund.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	12.50%
Bonds	7.10%
Alternatives	5.30%
Property	5.30%
Cash	0.90%

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
	2023	%	£'000	£'000
Cash	27,061	0.90%	27,305	26,818
UK Equities	562,035	12.50%	632,290	491,781
Overseas Equities	799,747	12.50%	899,715	699,778
Global Pooled Equities inc UK	978,714	12.50%	1,101,053	856,375
Alternatives	124,097	5.30%	130,674	117,520
Bonds	237,481	7.10%	254,342	220,620
Property	407,472	5.30%	429,068	385,876
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	73	0.00%	73	73
<b>Total Assets</b>	<b>3,136,680</b>		<b>3,474,520</b>	<b>2,798,841</b>

Asset Type	Value as at	Change	Value on	Value on
	31 March		Increase	Decrease
	2022	%	£'000	£'000
Cash	24,969	1.10%	25,244	24,694
UK Equities	570,137	14.40%	652,237	488,037
Overseas Equities	790,802	14.40%	904,677	676,926
Global Pooled Equities inc UK	987,519	14.40%	1,129,721	845,316
Alternatives	120,559	6.70%	128,636	112,481
Bonds	279,136	6.50%	297,280	260,992
Property	461,700	3.70%	478,782	444,617
Amounts receivables for sales	0	0.00%	0	0
Amounts payable for purchases	0	0.00%	0	0
Income receivables	1,855	0.00%	1,855	1,855
<b>Total Assets</b>	<b>3,236,677</b>		<b>3,618,432</b>	<b>2,854,918</b>

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

Asset Type	Value as at 31	Change	Value on	Value on
	March 2023		Increase	Decrease
	£'000	%	£'000	£'000
Alternatives	124,097	5.30%	130,674	117,520
Pooled Property	334,445	5.30%	352,170	316,719
<b>Total Level 3 Assets</b>	<b>458,542</b>		<b>482,844</b>	<b>434,239</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 2022 and 31 March 2023 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

<b>31/03/22</b>	<b>Asset type</b>	<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
24,969	Cash and cash equivalents	27,061
4,478	Cash held at CCC	6,645
279,137	Bonds	237,481
<b>308,584</b>	<b>Total</b>	<b>271,187</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 at 31/03/23</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+1%</b>	<b>-1%</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	27,061	271	(271)
Cash held at CCC	6,645	66	(66)
Bonds	237,481	2,375	(2,375)
<b>Total change in available assets</b>	<b>271,187</b>	<b>2,712</b>	<b>(2,712)</b>

<b>Asset type</b>	<b>Value as at 31/03/22</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+1%</b>	<b>-1%</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	24,969	250	(250)
Cash held at CCC	4,478	45	(45)
Bonds	279,137	2,791	(2,791)
<b>Total change in available assets</b>	<b>308,584</b>	<b>3,086</b>	<b>(3,086)</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 2022 and as at 31 March 2023:

<b>Fair value</b>		<b>Fair value</b>
<b>31/03/22</b>	<b>Asset type</b>	<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
1,876,457	Overseas pooled investments	1,861,920
34,572	Overseas pooled property investments	36,431
0	Cash	9
<b>1,911,029</b>	<b>Total overseas assets</b>	<b>1,898,360</b>

#### 14.9 Currency risk sensitivity analysis

The aggregate currency risk within the Fund as at 31 March 2023 was 6.8% (2021-22: 6.1%).

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

A 6.8% 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</b> <b>31/03/23</b>	<b>Change in year in the net assets</b> <b>available to pay benefits</b>	
		<b>+6.8%</b>	<b>-6.8%</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overseas pooled investments	1,861,920	126,611	(126,611)
Overseas pooled property investments	36,431	2,477	(2,477)
Cash	9	1	(1)
<b>Total change in available assets</b>	<b>1,898,360</b>	<b>129,089</b>	<b>(129,089)</b>

Asset type	Fair value 31/03/22	Change in year in the net assets available to pay benefits	
		+6.1%	-6.1%
	£'000	£'000	£'000
Overseas pooled investments	1,876,457	114,464	(114,464)
Overseas pooled property investments	34,572	2,109	(2,109)
Cash	0	0	0
<b>Total change in available assets</b>	<b>1,911,029</b>	<b>116,573</b>	<b>(116,573)</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

31/03/22 £'000		31/03/23 £'000
	Contributions due from employer	
2,291	- Employer	2,145
2,188	- Employee	2,065
4,478	Cash Balances	6,645
366	Debtors	369
<u>9,323</u>		<u>11,224</u>

### 15.1 Analysis of Current assets

31/03/22 £'000		31/03/23 £'000
7,796	Local authorities	9,407
1,527	Other entities and individuals	1,817
<u>9,323</u>		<u>11,224</u>

## 16 Current liabilities

31/03/22 £'000		31/03/23 £'000
(1,493)	Unpaid benefits	(2,849)
(1,903)	Creditors	(2,520)
<u>(3,396)</u>		<u>(5,369)</u>

### 16.1 Analysis of Current liabilities

31/03/22 £'000		31/03/23 £'000
(763)	HMRC	(861)
(336)	Public corporations and trading funds	(369)
(2,297)	Other entities and individuals	(4,139)
<u>(3,396)</u>		<u>(5,369)</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, where a range of investment options are available.

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

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

AVC Provider	Value as at 31/03/22 £ '000	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/23 £ '000
Prudential*	8,585	1,582	(961)	102	9,308
UTMOST	435	3	(29)	0	409
Standard Life	2,949	403	(406)	(21)	2,925
<b>Total</b>	<b>11,969</b>	<b>1,988</b>	<b>(1,396)</b>	<b>81</b>	<b>12,642</b>

\*It was reported in the 2021-22 accounts that the closing balance for Prudential was £6,276k. This was the closing balance as at 31 March 2020 as the Fund had not received either the 2020-21 or 2021-22 Prudential accounts. These have now been received, along with the accounts for 2022-23 resulting in the above table being correct as at 31 March 2023.

## 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)

## 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. In addition, the Authority's Governance and Audit Committee is responsible for the approval of the Fund's Annual Report and Accounts.

The Authority incurred costs of £1.164 million (2021-22: £1.145 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 £40.420 million to the Fund in 2022-23 (2021-22: £37.524 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 2023, the Fund had an average investment balance of £14 million (2021-22: £14.93 million) earning interest of £210,740 (2021-22: £11,261).

## 19.1 Governance

### Pension Committee

There are three members and one substitute member of the Pension Committee. During 2022-23 these were Councillor Elwyn Williams (active member), Councillor Dai Thomas (active member), Councillor Rob James (active member) and the substitute was Councillor Denise Owen (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)

## 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>31/03/22</b>		<b>31/03/23</b>
<b>£'000</b>		<b>£'000</b>
15	Short-term benefits	15
4	Post-employment benefits	4
<b>19</b>		<b>19</b>

20 Employing bodies contribution rates, contributions receivable and benefits payable

2021-22				2022-23			
Contri- bution rate %	Deficit/ (Surplus) Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	Contri- bution rate %	Deficit/ (Surplus) ) Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
<b>Scheduled bodies</b>							
19.9	(2,695)	40,217	40,757	19.9	(2,800)	43,220	43,842
19.8	(2,066)	23,604	19,311	19.8	(2,146)	25,536	21,540
20.1	(2,232)	14,605	12,802	20.1	(2,320)	15,712	13,797
17.8	(7)	6,681	3,405	17.8	(7)	7,131	3,775
18.1	(195)	1,752	2,005	18.1	(203)	1,917	1,666
19.7	0	311	400	19.7	0	293	331
20.0	0	2,020	1,214	20.0	0	2,051	1,252
19.9	(287)	876	826	19.9	(298)	922	948
18.6	28	1,529	460	18.6	29	1,714	557
	(7,454)	91,595	81,180		(7,745)	98,496	87,708
<b>Designated (Resolution) bodies</b>							
25.6	(4)	15	17	25.6	(4)	22	14
22.4	(25)	97	96	22.4	(26)	109	109
20.9	1	45	0	20.9	1	61	0
24.1	0	21	0	24.1	0	24	0
28.8	0	7	4	28.8	0	8	4
-	0	12	37	-	0	13	39
27.6	8	19	12	27.6	8	20	11
25.9	0	3	1	25.9	0	2	33
19.4	0	1	1	19.4	0	2	1
19.9	(53)	269	250	19.9	(55)	294	202
20.3	15	75	100	20.3	16	75	298
22.9	3	15	0	22.9	3	17	0
25.8	6	41	30	25.8	6	57	26
17.3	(12)	59	19	17.3	(12)	70	39
22.5	(6)	14	11	22.5	(6)	18	12
19.6	2	17	0	19.6	2	18	0
22.7	2	16	0	22.7	2	19	0
0	0	0	0	21.9	0	4	0
	(63)	726	578		(65)	833	788

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2021-22				2022-23			
Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000	Contri- bution rate %	Deficit Contri- bution £'000	Contri- butions £'000	Benefits payable £'000
<b>Admission bodies</b>							
<b>Community Admission Body (CAB)</b>							
21.1	8	46	31	21.1	6	44	27
19.9	0	1,209	1,292	19.9	0	1,307	1,574
22.9	3	42	36	22.9	3	35	37
0.0	0	2	14	0.0	0	1	14
20.2	0	15	42	20.2	0	28	43
26.9	2	3	16	26.9	2	4	16
0.0	0	0	39	0.0	0	0	40
16.7	13	88	38	16.7	14	96	17
17.6	14	47	62	17.6	14	25	39
13.3	2	79	0	13.3	2	73	0
9.5	0	15	10	9.5	0	14	11
22.8	0	5	10	22.8	0	5	11
22.7	0	62	62	22.7	0	65	64
19.2	0	101	34	19.2	0	99	83
21.4	0	316	280	21.4	0	299	458
22.0	0	622	559	22.0	0	573	696
25.1	92	8	210	25.1	96	9	214
19.7	0	414	453	19.7	0	417	371
21.2	0	24	44	21.2	0	25	48
15.3	0	17	58	15.3	0	19	47
	134	3,115	3,290		137	3,138	3,810
<b>Transferee Admission Body (TAB)</b>							
22.8	0	18	46	22.8	0	17	43
0.0	0	0	14	0.0	0	0	15
17.3	10	822	198	17.3	10	989	79
0.0	0	0	78	0.0	0	0	83
0.0	0	0	1	0.0	0	0	1
22.2	0	12	0	22.2	0	10	0
46.2	0	9	0	46.2	0	12	0
23.4	0	16	0	23.4	0	10	0
	10	877	337		10	1,038	221



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				<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	0	14
0.0	0	0	74	PRISM	0.0	0	0	56
0.0	0	53	325	Dyfed Powys Magistrates Courts	0.0	0	53	410
0.0	0	1	7	Carmarthen Family Centre	0.0	0	2	8
0.0	0	2	4	Milford Haven Town Council	0.0	0	2	4
0.0	0	0	2	Mencap	0.0	0	0	16
0.0	0	0	6,530	Dyfed County Council	0.0	0	0	6,339
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	7	8	NHS	0.0	0	7	7
0.0	0	4	16	Welsh Water	0.0	0	4	17
0.0	0	0	8	Cwm Environmental	0.0	0	0	8
0.0	0	0	19	Cartrefi Cymru	0.0	0	0	7
0.0	0	2	2	Rent Officer Service	0.0	0	1	1
	0	75	7,017			0	75	6,896
	<b>(7,373)</b>	<b>96,388</b>	<b>92,402</b>	<b>Total</b>		<b>(7,663)</b>	<b>103,580</b>	<b>99,423</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 be recharged %</b>
DVLA	100
Milford Haven Town Council	100
National Health Service	100
Carmarthen Family Centre	100
Dwr Cymru Welsh Water	50

#### 21 **Stock Lending**

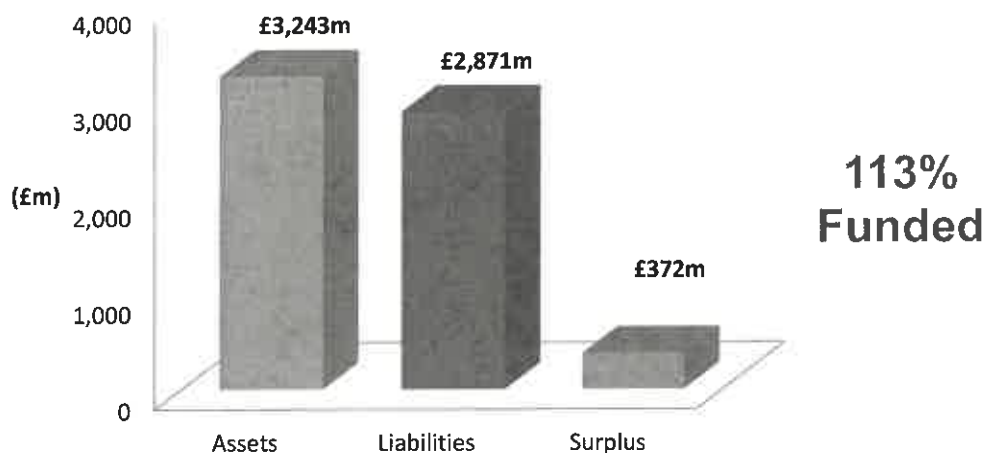
The Fund's investment strategy permits stock lending subject to specific approval. During 2022-23, the income earned by the Fund through stock lending was £93,731 (2021-22: £88,153). At 31 March 2023 the Fund had £52.8m out on loan (2021-22: £45.9m).

## 22 Actuarial Statement

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

An actuarial valuation of the Dyfed Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £3,243 million represented 113% of the Fund's past service liabilities of £2,871 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £372 million.



The valuation also showed that a Primary contribution rate of 19.8% 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 may be 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 the last actuarial valuation the average recovery period adopted was 9 years for employers in deficit and 14 years for employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/26) was a surplus offset of 3.7% of pensionable pay - approximately £14m per annum 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 March 2023.

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 (with the exception of two employers who have included provision for a non-ill health early retirement allowance within their contributions).

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 (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
<b>Rate of return on investments (discount rate)</b>	4.55% per annum	5.10% per annum
<b>Rate of pay increases (long term)</b>	4.60% per annum	4.60% per annum
<b>Rate of increases in pensions in payment (in excess of GMP)</b>	3.10% per annum	3.10% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be reassessed with effect from 1 April 2026.

#### **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 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
<b>Rate of return on investments (discount rate)</b>	2.8% per annum	4.8% per annum
<b>Rate of CPI Inflation / CARE benefit revaluation</b>	3.3% per annum	2.7% per annum
<b>Rate of pay increases</b>	4.8% per annum	4.2% per annum
<b>Increases on pensions (in excess of GMP) / Deferred revaluation</b>	3.4% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)
- the end of period assumptions are based on the updated assumption adopted for the 2022 actuarial valuation, with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

<b>Start of period liabilities</b>	<b>£4,234m</b>
<b>Interest on liabilities</b>	£118m
<b>Net benefits accrued/paid over the period*</b>	£88m
<b>Actuarial (gains)/losses (see below)</b>	(£1,565m)
<b>End of period liabilities</b>	<b>£2,875m</b>

*\*this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3% p.a.. In combination, these factors lead to a significant reduction in liabilities
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions. This acts to reduce the liabilities
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities
- **2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

## **Additional Considerations**

**The “McCloud judgment”:** The figures above allow for the impact of the judgment based on the proposed remedy.

**GMP indexation:** The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

**Covid 19 / Ukraine:** The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

**Current high inflation:** The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

**Clive Lewis**  
Fellow of the Institute and  
Faculty of Actuaries

**Laura Evans**  
Fellow of the Institute and  
Faculty of Actuaries

Mercer Limited  
July 2023

## **23 Events after the balance sheet date**

There have been no events since 31st March 2023, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

