

Pecyn Dogfennau Cyhoeddus

Pwyllgor Pensiynau a Buddsoddi

Man Cyfarfod
By Teams

Dyddiad y Cyfarfod
Dydd Mercher, 25 Tachwedd 2020

Amser y Cyfarfod
2.00 pm

I gael rhagor o wybodaeth cysylltwch â
Carol Johnson
01597 826206
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Neuadd Y Sir
Llandrindod
Powys
LD1 5LG

Dyddiad Cyhoeddi

Mae croeso i'r rhai sy'n cymryd rhan ddefnyddio'r Gymraeg. Os hoffech chi siarad Cymraeg yn y cyfarfod, gofynnwn i chi roi gwybod i ni erbyn hanner dydd ddaau ddiwrnod cyn y cyfarfod

AGENDA

1.	YMDDIHEURIADAU
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Derbyn ymddiheuriadau am absenoldeb.

2.	DATGANIADAU O DDIDDORDEB
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Derbyn unrhyw ddatganiadu o ddiddordeb gan Aelodau yn ymwneud ag eitemau i'w hystyried ar yr Agenda.

3.	COFNODION
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Awdurdodi'r Cadeirydd i lofnodi cofnodion y cyfarfod diwethaf a gynhaliwyd ar 9 Hydref 2020 fel cofnod cywir.

(Tudalennau 1 - 6)

4.	CYNLLUN GWELLA DATA
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Ystyried a chymeradwyo'r Cynllun Gwella Data.

(Tudalennau 7 - 16)

5.	DATGANIAD STRATEGAETH CYFATHREBU
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Cymeradwyo'r Datganiad Strategaeth Cyfathreu diwygiedig.

(Tudalennau 17 - 28)

6.	ADRODDIAD BLYNYDDOL Y GRONFA BENSIWN 2019-20
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Ystyried a chymeradwyo Adroddiad Blynyddol y Gronfa Bensiwn 2019-20.

(Tudalennau 29 - 146)

7.	EITEM EITHRIEDIG
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Mae'r Swyddog Monitro wedi penderfynu bod yr eitemau canlynol yn destun categori 3, Rheolau Trefn Mynediad at Wybodaeth. Ei farn o ran prawf lles y cyhoedd (wedi ystyried darpariaethau Rheol 11.8, Rheolau Mynediad at Wybodaeth y Cyngor), oedd y byddai gwneud y wybodaeth hon yn gyhoeddus yn datgelu gwybodaeth ynghylch materion ariannol neu fusnes unigolyn (gan gynnwys yr awdurdod yr oedd y wybodaeth honno yn ei feddiant). Oherwydd hyn a gan nad oedd yn ymddangos bod yna ddiddordeb mawr gan y cyhoedd yn gofyn bod angen datgelu'r data personol yma, roedd o'r farn bod diddordeb y cyhoedd wrth gadw'r eithriad yn fwy pwysig na diddordeb y cyhoedd wrth ddatgelu'r wybodaeth. Gofynnir i Aelodau ystyried y ffactorau hyn wrth benderfynu ar y prawf lles y cyhoedd, sy'n rhaid iddynt benderfynu wrth ystyried eithrio'r cyhoedd o'r rhan hon o'r cyfarfod.

8.	GWARCHOD ECIWTI
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(I Ddilyn)

9.	PARTNERIAETH PENSIWN CYMRU
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Derbyn adroddiad am Bartneriaeth Pensiwn Cymru.

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT BY TEAMS ON FRIDAY, 9 OCTOBER 2020**

PRESENT

County Councillor P E Lewis (Chair)

County Councillors E A Jones, JG Morris, D H Williams and A W Davies

Mr G Moore, Chair Powys Pension Board

Mr M Weale, co-opted member

In attendance: Head of Finance, Pension Fund Manager and Financial Reporting & Policy Accountant

Aon representatives – Simon Mayne, Richard Antrobus and George Fearne

1.	APOLOGIES
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Apologies for absence were received from County Councillor T Van-Rees who was on other council business.

2.	DECLARATIONS OF INTEREST
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Members of the Committee declared interests as members of the Local Government Pensions Scheme. These are personal interests, not prejudicial interests in accordance with Paragraph 12(b) (iv) of the Members Code of Conduct 2016.

3.	MINUTES
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The Chair was authorised to sign the minutes of the Pensions and Investment Committee meeting held on 26 June, 2020 as a correct record.

4.	PENSIONS BOARD MINUTES
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The Committee noted the summary from the Powys Pension Board Chair of the Board meeting held on 22 May 2020 and noted the minutes of the meeting. The Chair highlighted the following recommendations:

1.1.1 - that the Pensions Fund Manager consider whether the current procedures for managing and processing the Internal Disputes Resolution Procedure (IDRP) remain appropriate,

1.1.2 – that as the contract with the administration software provider was due for renewal in 2023, the process for the renewal of the contract be included on the Risk Register,

1.2 – that as the Document Imaging and Workflow project had been successfully completed this is removed from the Risk Register.

In respect of assurances it was noted there were no new breaches of the law and no new internal dispute resolution procedure cases.

The Chair highlighted the following recommendations from the Board meeting on 30 September 2020:

1.1 - as will be referred to in the Pension Fund Managers report [Item 6] the impact of the recent legislation relating to the £95,000 cap on tax-free total of pensions and redundancy costs was highlighted. From a national perspective this will be a key priority for LGPS and will have an impact on key personnel in the Pension Team.

1.2 - The Chair's term of office ends in July 2021 and the Administering Authority needs to review the last six years, considers what it is looking for, for the future and agree the process for recruiting a new independent chair. The transition from the current chair to the new appointment should be added to the Risk Register.

In respect of assurances the Chair highlighted its detailed probe into management and compliance by the Pensions Team with the General Data Protection Regulation (GDPR) and with evolving cyber security challenges with the Pensions Team working from home. It was noted that the Team had been homeworking for nearly 15 years and has long-established procedures, protocols, hardware, software and communications arrangements in place.

RESOLVED	Reason for decision
To note the recommendations from the Powys Pension Board meetings on 22 May 2020 and 30 September 2020 and that they be actioned as appropriate.	To ensure good governance.

5. DATA QUALITY TESTING 2020

The Committee noted the report and the detailed testing of data carried out over the past three years. The improvements in the common data and scheme specific data was noted. In response to a question the Pension Fund Manager advised that schemes are not benchmarked against each other but from general discussion with colleagues the Powys Fund is placed well amongst its peers. The Pension Board Chair advised that the survey undertaken by The Pension Regulator [TPR] would provide comparative information.

RESOLVED	Reason for decision
To note the report.	As per report.

6. GOVERNANCE AND ADMINISTRATION UPDATE

The Committee noted the report.

The Pension Fund Manager referred the Committee to the Scheme Advisory Board's [SAB] statement that some administering authorities have cancelled meetings of their local pension boards during the COVID-19 emergency. As boards are established under different legislation to local authority committees, board meetings could be held virtually. It was noted that the Powys Pension Board had continued to meet on a virtual basis.

Martin Weale, Independent Member joined the meeting.

The Pension Fund Manager advised that an assessment had been completed on the workload as a result of the McCloud age discrimination case and it is estimated that approximately 30% of data will need to be reviewed. In response to a question the Pension Fund Manager advised that officers were looking at the options on how to respond to the increased workload to fulfil its obligations to implement the McCloud decision. A report would be presented to the Committee in due course. The Pension Board Chair advised that guidance was awaited from MHCLG as to what schemes should do if employers do not have the required data.

In respect of the £95k exit cap payments to staff leaving due to redundancy, the Pension Fund Manager advised that this would become law soon. However, this is likely to come into effect before the LGPS regulations are amended. Further clarity is being sought on how to respond to such a situation during this interim period.

The Pension Fund Manager advised that the changes to the Risk Register as recommended by the Pension Board would be made and the updated Register would be brought to the Committee at its next meeting.

RESOLVED	Reason for decision
The report as noted.	To ensure that the Fund continues to focus on high standards of governance.

In response to a question regarding the high-risk items on the Risk Register the Pension Fund Manager advised that there would always be high-risk items, but appropriate mitigations are identified to bring them to amber or green. It was noted that the Pension Board at each meeting undertakes a deep dive on aspects of the Risk Register.

7. WALES PENSION PARTNERSHIP [WPP] UPDATE

The Committee received the report on the WPP. The Chair advised that his term of office as the WPP Chair had come to an end. The Committee noted that 70% of the Fund's assets were now invested in pooled vehicles. WPP had established a Responsible Investment sub-group and the Pension Fund Manager was a member of this. The WPP had also produced a Climate Risk Policy.

The training provided by the WPP was noted and positive comments were made on its quality.

RESOLVED	Reason for decision
That the report be noted.	As per the report.

8. EXEMPT ITEM

RESOLVED to exclude the public for the following items of business on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

The Chair agreed to take the Hedge Fund Review next.

9. HEDGE FUND REVIEW

The Committee considered the Hedge Fund Review report from Aon. It was noted that the WPP does not yet have an appropriate sub fund for the Hedge Fund asset class. The Committee was advised that two of the current four hedge fund managers had been classed as non-buy and the Fund only wishes to hold “buy” rated managers. In light of the volatility in the market and the current economic environment due to COVID19, Aon advised that perhaps an alternative or more diversified hedge fund portfolio was appropriate. This could potentially reduce the volatility of returns whilst continuing to target the required returns over the long term. However, this would result in additional governance requirements . Aon recommended a review, which would consider the above and alternative approaches to achieve the desired outcome.

The Committee was advised that if a detailed review was requested more details on costs of any changes would be provided.

RESOLVED	Reason for decision
That the Hedge Fund Portfolio is reviewed and a more detailed report be considered by the Committee.	To reduce the volatility of returns whilst continuing to target the required returns over the long term.

The Chair returned to the Ballie Gifford presentation.

10. BAILLIE GIFFORD PRESENTATION AND UPDATE

The Chair welcomed Tim Gooding from Ballie Gifford.

The Committee received a presentation regarding the Global Alpha Paris-Aligned strategy. The Committee noted that Ballie Gifford engages with senior managers and boards in companies in which it invests and discussions include lowering carbon emissions.

It was acknowledged that a balance was required between investing in companies with or striving towards low carbon emissions and the performance of investments. The Committee had a responsibility to ensure that its Funds performed well for its scheme members. The Committee noted that the presentation was being made to all members of the WPP who are invested in the Global Growth sub fund.

The Chair thanked Tim Gooding for his attendance.

11. EQUITY RISK MANAGEMENT

The Committee considered the report from Aon on Equity Risk Management.

Aon recommended that the Committee should consider whether to roll the protection cover next year, the level of protection and whether a framework for amending the protection should be developed, so that changes can be made in

response to changes in the markets, rather than having to seek Committee approval each time a change is required. Governance requirements for this approach would need careful consideration. In response to questions Aon advised that the risks were the US election, COVID19, Brexit and UK markets. It was considered that the US election would cause some volatility in markets rather than changing long-term equity returns.

RESOLVED	Reason for decision
That Aon produces a report for Committee's consideration on the following: whether to roll the protection cover next year, the level of protection and a framework to allow speedier decisions.	To ensure that continuing appropriate equity risk management structure is reviewed and appropriate governance process is considered to support speedier decisions.

12. BLACKROCK LOW CARBON WORLD EQUITY

The Committee received the report from Aon regarding the initial 2% allocation (c. £14m) into the BlackRock Low Carbon World Equity. Funds will be transferred out of the BlackRock MSCI World Equity Index Fund (GBP Hedged) as the Fund is currently overweight to GBP Hedged Equities relative to the strategic benchmark.

RESOLVED	Reason for decision
That the report be noted and that the movement of funds to the BlackRock Low Carbon World Equity Index Fund be approved subject to the legal review being completed.	To bring the overall Fund closer to the strategic allocation.

13. QUARTERLY MONITORING REPORT

The Committee received the Quarterly Monitoring report to 30 June 2020. It was noted that the losses in Quarter 1 had been recovered partly due to the markets rebounding in Quarter 2 and also the positive impact of the equity protection. Aon advised that the US election was increasing volatility in markets but the COVID19 second waves was not yet having an impact on markets. However, the fiscal stimulus may affect markets in 2021. In respect of Brexit, the markets expected a deal in November. The Committee agreed that Aon should share papers on responsible investment.

The impact of COVID19 on how to value properties was noted and that funds dealing in such assets had been suspended as the response to COVID19 would impact on the different type of properties in different ways. Aon agreed to produce a report on the exposure of the Fund in the different type of properties, such as larger shopping centres, student accommodation and office space.

RESOLVED	Reason for decision
That the Quarter 2 monitoring report be noted.	As per the report.

The Pension Fund Manager advised that Audit Wales had not yet completed the audit on the pension fund accounts. The Committee received assurance that the delay was not in relation to any issue with the Fund's draft report. To ensure that the Pension Fund Annual report was approved before December, an extra Committee meeting would be arranged.

County Councillor P E Lewis (Chair)

CYNGOR SIR POWYS COUNTY COUNCIL**Pensions and Investment Committee
25th November 2020****REPORT BY:** Head of Finance**SUBJECT:** Review of Data Improvement Plan

REPORT FOR: Decision

1 Introduction

- 1.1 In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for inclusion in the 2018 TPR Annual report for data that TPR deemed as 'common'. Since then the Powys Pension Fund has submitted its data quality results annually to TPR and has seen an improvement in the quality of its data against these benchmarks.
- 1.2 The Fund published a formal Data Improvement Plan in October 2018 and this is the formal review and update of that policy.

2 Background

- 2.1 In March 2018 Powys Pension Fund commissioned a complete a review of the administration system's common pension data in line with the guidance notes set down by TPR. The Fund then published a formal data improvement plan in October 2018.
- 2.2 Since then and as part of continued efforts to focus on high quality data, the Fund has carried out data cleansing exercises annually during year-end exercises and during the triennial valuation. These exercises check data provided by employers and data held on scheme member records.
- 2.3 In addition, the Powys Pension Fund continues to move towards the monthly reconciliation of data from employers and receives over 90% of active scheme membership data on a monthly basis, direct from Employer payroll systems via the i-Connect facility.
- 2.4 The Local Powys Pension Board have reviewed and commented on this policy.

3 Conclusion

- 3.1 Committee is asked to consider and approve the content of the Data Improvement Plan, in addition to providing any comments ahead of publication.

Recommendation:		Reason for Recommendation:	
Note and approve the content of the updated Data Improvement Plan		Good governance and compliance with The Pension Regulator Code of Practice	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:		immediately	
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Hurst	01597 827640	01597 826290	churst@powys.gov.uk
Relevant Portfolio Member(s):		Councillor Aled Davies	
Relevant Local Member(s):		N/A	



Powys

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Data Improvement Plan

Previous Publish Date October 2018
Reviewed October 2020
Published #####

1. Introduction

- 1.1 In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for inclusion in the 2018 TPR report for data that TPR deemed as 'common'.
- 1.2 In March 2018 Powys Pension Fund commissioned a complete a review of the administration system's common pension data in line with the guidance notes set down by TPR. This was followed up with a repeat exercise in 2019 and 2020.
- 1.3 The Fund has carried out data cleansing exercises and checks periodically in the past as part of year-end exercises and triennial valuations. These exercises checked data provided by employers and data held on scheme member records.
- 1.4 In continuing efforts to improve the quality of its data, Powys Pension Fund is moving towards receiving 100% of its employer data on a monthly basis in an electronic format, with currently over 90% of active scheme member data now collected on a monthly basis direct from Employer payroll systems via the i-Connect facility.

2. Benchmark and Aims

- 2.1 TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand.
- 2.2 This data improvement plan aims to address the data issues that are identified during the data review exercises. It will set out the steps that the Fund will take to tackle the issues and improve the quality of the data that it holds in a continuous basis, with a view to achieving the highest quality of data possible.

3. Objectives and Measures

- 1) **To ensure accuracy in the quality of data held on scheme member records in order to facilitate accurate and timely payment of pension benefits.**

This will be achieved and measured through continuous reviews of data quality testing, through audit testing and checking against published service standards.

2) **To improve compliance with The Pensions Regulators (TPR) Code of Practice 14.**

This will be achieved and measured by a continuous improvement of scores in the TPR Compliance Monitoring Document.

3) **To decrease the number of ‘gone away’ addresses held for Scheme Members**

This will be achieved by undertaking periodic member tracing exercises.

4) **To ensure high quality data for valuation purposes and, therefore, increasing accuracy in valuation results with consideration given towards setting accurate employer contribution rates through accurate assessment of Fund assets and liabilities.**

This will be achieved through pre-valuation data cleansing exercises carried out with the Pension Fund Actuary and ongoing data quality testing via the iConnect system.

4. **Scope and Prioritising**

The data quality reviews already undertaken, measured the data on the administration system against the two types of data categories that TPR require:

- Common Data
- Scheme Specific Data

The Common Data items are specific in the Pensions Regulators guidance and pension scheme data must be measured against:

Common Data item	Membership type tested
NI number	All members
Name	All members
Sex and Date of Birth	All members
Date Commenced and NRD	All members
Status	All members
Status and invalid data view	All members
Address	All members
Status and valid data view	All members

The data items tested for both Common and Scheme Specific Data are as follows:

Common Data item	Membership type tested
NI number	All members
Name	All members
Sex and Date of Birth	All members
Date Commenced and NRD	All members
Status	All members
Status and invalid data view	All members
Address	All members
Status and valid data view	All members

Scheme Specific data category	Scheme Specific Data item	Membership type tested
Member Benefits Data	Divorce Details	Status 1, 2, 4, 5 & T
	Transfer In Details 1	Status 1, 2, 4, 5 & T
	Transfer In Details 2	Status 1, 2, 4, 5 & T
	AVC Details	Status 1, 2, 4, 5 & T
	Total Original Deferred Benefit	Status 4
	Tranches Of Original Deferred Benefit	Status 4
	Total Gross Pension	Status 5 & T
	Tranches Of Pension	Status 5 & T
	Total Gross Dependant Pension	Status 6
	Tranches of Dependant	Status 6
Other Member Data	Date Of Leaving	Status 1, 2, 4, 5, 9 & T
	Date Joined Scheme	Status 1, 2, 4, 5, 9 & T
	Employer Details	Status 1, 2, 4, 5, 9 & T
	Salary (Final Salary members)	Status 1, 2, 4, 5, 9 & T
	Contributions	Status 1, 2, 4, 5, 9 & T
	Leavers	Status 4, 5, 9 & T
	Service	Status 1, 2, 4, 5, 9 & T
CARE Benefits	Care Data	Status 1, 2, 4, 5, 9 & T
	CARE Revaluation	N/A
HMRC	BCE* 2	Status 5 & T
	BCE* 5	Status 4 & T
	BCE* 6	Status 5 & T
	BCE* 7	Status 7
	BCE* 8	Status 3
	LTA* Charge Paid	Status 5 & T
	AA* Charge	Status 1
Contracted Out	Date Contracted Out	Status 1, 2, 4, 5 & T
	NI Contributions / Earnings History	Status 1, 2, 4, 5 & T
	Pre 88 GMP	Status 4, 5, & T
	Post 88 GMP	Status 4, 5, & T

*BCE = Benefit Crystallisation Event

Status Key:

- 1 Active
- 2 Undecided Leaver
- 3 Leaver
- 4 Deferred

- 5 Pensioner
- 6 Dependant Pensioner
- 7 Death
- 8 Awaiting Entry
- 9 Frozen Refund
- T Third Tier Ceased pension

5. Data Correction Plan

Focus on data which has the greatest impact on member benefits will be prioritised, to ensure that correct benefits are being paid to scheme members.

Data cleansing for these records has already commenced as part of the Guaranteed Minimum Pension (GMP) Reconciliation project, but work is ongoing using the data cleansing results as a tool to focus on any problem areas.

Breakdown of activities for improvement - Common data

Data Category	Milestone	Priority	How
NI Number	Obtain correct NI numbers for the members with temporary numbers or those in the incorrect format	Low	Team to investigate
NI Number	Investigate as a priority the cases with blank NI numbers	High	Team to investigate
Name	Obtain Forenames and Initials as required	Low	Team to investigate
Sex and Date of Birth	Obtain sex and DOB as required	Low	Team to investigate
Date commenced and NRD	Investigate the cases with a blank date joined fund as this could affect benefits	High	Team to investigate
Status and invalid data view	Invalid data should be removed where necessary or the member status corrected where appropriate. These cases should be treated as a high priority as the presence of the data may affect benefits	High	Team to investigate

Address	Current addresses should be sought and uploaded for the members that failed this category	Medium	Member tracing service to be procured
Status and valid data view	Members with missing data views that hold their entitlement should be investigated as a high priority and either their status corrected or the correct data recorded	High	Team to investigate

Breakdown of activities for improvement -Scheme specific data

Data Category	Recommendation	Suggested Priority	How
Member Benefits	Investigate incomplete Transfer In and AVC data with the very highest priority as benefits may be incorrect	Very high	Team to investigate
	Correct deferred benefit cases prior to running deferred annual benefit statements	High	Team to investigate
	Investigate defects in pension benefits	Very high	Team to investigate
	Investigate the Pension Dependant Pension cases with small pensions	High	Team to investigate
	Investigate cases with an incorrect Pensions Increase Date	Very high	Team to investigate
Other Member Data	Investigate cases with an unexplained date of leaving present	Low	Team to investigate
	Investigate members with incorrect Employer Details	Low	Team to investigate
	Investigate final salary pay issues prior to running annual benefit statements	High	Team to investigate
	Investigate cases with missing contributions prior to running annual benefit statements	High	Team to investigate
	Investigate cases where date of leaving is blank or incorrect	High	Team to investigate

CARE Data	Investigate all data issues in this category by status prior to issuing annual benefit statements for that status. Pensioners should be investigated as soon as possible to ensure correct benefits are in payment	High	Team to investigate
	CARE data should be requested where missing	Very high	Team to investigate
HMRC	Investigate cases highlighted with incorrect BCE data	Low	Team to investigate
	Investigate cases with missing death grant data	Low	Team to investigate
	Investigate cases with missing Annual Allowance data, particularly the scheme pays cases.	High	Team to investigate
Contracting Out	Review and update GMP values in conjunction with the GMP Reconciliation process	Medium	Team to investigate
	Obtain and upload GMP figures for the members with missing data as a high priority	High	Team to investigate
	Investigate cases with incorrect date of contacting out and NI contributions	Medium	Team to investigate

6 Contacts

Any questions, queries or observations on this Statement; or, on matters relating to the investment of the Powys Pension Fund; or, on the governance of the Pension Fund, should be addressed to:

Mr C Hurst
Pension Fund Manager
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Tel: 01597 827640

Email: chris.hurst@powys.gov.uk

Questions or queries concerning membership, benefits or information in respect of the Local Government Pension Scheme, should be directed to:

Mrs M Price
Pensions Administration Manager
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Tel: 01597 827642

Email: megan.price@powys.gov.uk

All other enquiries should be addressed to:

The Pensions Section
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Email: pensions@powys.gov.uk

CYNGOR SIR POWYS COUNTY COUNCIL

Pensions and Investment Committee
25th November 2020**REPORT BY:** Head of Finance**SUBJECT:** Review of Communications Strategy Statement**REPORT FOR:** Decision

- 1 Regulation 61 of the Local Government Pension Scheme Regulations 2013 [SI 2013 No. 2356] requires administering authorities to prepare and regularly review a written statement setting out details of communications strategy.
- 2 The strategy has been reviewed and amended to ensure it remains relevant and appropriate. One addition has been the inclusion of reference to communications with the Wales Pension Partnership.
- 3 The Local Powys Pension Board have reviewed and commented on this policy.
- 4 Committee is asked to approve the revised Communications Strategy Statement (attached).

Recommendation:		Reason for Recommendation:	
To approve the revised Communications Strategy Statement.		Statutory requirement	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Chris Husrt	01597 827640	01597 826290	churst@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Aled Davies
Relevant Local Member(s):	N/A

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol



Powys

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COMMUNICATIONS STRATEGY
STATEMENT

Previous Publication Date October 2018
Reviewed October 2020
Approved #####

1. Introduction

- 1.1 Regulation 61 of the Local Government Pension Scheme 2013 (as amended) [SI 2013 No. 2356] requires an administering authority to prepare, publish and maintain a statement that sets out strategy for communication and promotion of the Local Government Pension Scheme.
- 1.2 The Statement is required to include details of policy for communicating with Scheme members and their representatives; prospective Scheme members; and Scheme employers.
- 1.3 In particular, the Statement must set out policy on the provision of information and publicity about the Scheme to Scheme members, their representatives and Scheme employers; the format, frequency and method of distributing such information or publicity; and the promotion of the Scheme to prospective members and their employers.
- 1.4 The Statement must be reviewed and published following any material change relevant to the policy.
- 1.5 An effective communications strategy is vital for any organisation that strives to provide a high quality and consistent service to its customers. The complexity of pensions in general and the LGPS in particular, places communications at the heart of a high quality service provision.
- 1.6 There are six distinct groups with whom Powys Pension Fund needs to communicate:
 - Pension Fund Trustees and local Pension Board Members
 - Scheme Members
 - Prospective Scheme Members
 - Scheme Employers
 - Pension Fund Officers and Staff
 - Other Stakeholders
- 1.7 Set out in this Statement are the mechanisms which are used to communicate with each of these groups, together with a strategy for widening and improving communications and to promote the Scheme amongst non-members.

2. Principles Underpinning this Strategy

- 2.1 The drivers for communicating that underpin this strategy are:
- a) to inform and educate stakeholders and interested parties about the Powys Pension Fund and the Local Government Pension Scheme in an open and transparent manner;
 - b) to better facilitate accountability;
 - c) to promote the engagement of scheme members and employers.
- 2.2 Wherever possible the Pension Fund seeks to make its communications as open and as accessible as are needed by stakeholders. This includes:
- a) the provision of information through the medium of Welsh;
 - b) the provision of information in other languages if required;
 - c) where possible, providing communications in alternative forms for example in large print, via audio etc.
 - d) the increasing use of social media.
- 2.3 In the context of the LGPS, deciding on when to communicate is largely determined by the statutory requirements imposed upon the Pension Fund. The Pension Fund aims to provide communications to stakeholders within statutory timelines and, for non-statutory information, as and when required.

3. Pension Fund Trustees and local Pension Board Members

- 3.1 The Trustees of Powys Pension Fund (the members of the Pensions & Investment Committee - six Powys County Council Elected Members plus two non-voting members representing other participating Scheme employers and Scheme members) and local Pension Board Members (an independent Chair, three Scheme employer representatives and three Scheme member representatives) receive information, primarily in the form of written reports and email correspondence, that cover investment, actuarial, accounting/financial and administration issues. Committee and Board members also attend conferences and seminars on the LGPS.
- 3.2 Completion of appropriate training for Pension Fund Trustees is essential and is a mandatory requirement for local Pension Board Members. Ongoing knowledge development and training is to be provided via Pension Fund Officers and advisers. Full details are set out in the Knowledge & Skills Framework Policy appended to the Pension Fund's Governance Policy & Compliance Statement.

4. Scheme Members

- 4.1 Newsletters – are sent out to all active and pensioner members covering LGPS and related issues, as and when required.
- 4.2 Annual Benefit Statements – issued annually to all active and deferred members (including members of the LGPS for Councillors) electronically and posted to those scheme members (where a current home address is held) who have opted out of electronic communications.
- 4.3 Scheme Literature – A range of Scheme literature and information covering many aspects of the LGPS is produced by Powys Pension Fund and is provided on the Funds website and supplied direct to employers and Scheme members, as required.
- 4.4 Additional Voluntary Contributions (AVCs) – Regular promotional mailshots are sent to active members in partnership with the Fund's AVC providers.
- 4.5 Pay Advices – Powys Pension Fund issues pay advices to all its Fund pensioners twice per year, or more often where pay amounts vary from month-to-month.
- 4.6 Pensions Increases – all Fund pensioners are advised of their annual pension increase via a personalised letter sent electronically (and posted to those who have requested paper correspondence) in April each year.
- 4.7 Correspondence – the Pension Fund utilises both surface mail, email and online delivery via the member portal to send and receive correspondence with Scheme members.
- 4.8 Telephone/Online – much of the Pension Fund's communication with individual Scheme members is conducted by telephone. This includes face to face calls via Microsoft Teams/Skype.
- 4.9 Pensions Clinics – The Pension Fund provides a periodic clinic service where Scheme members have the opportunity to discuss their individual pension issues on a face-to-face basis.
- 4.10 Welsh Language – wherever possible the Pension Fund provides access to Scheme documents in the medium of Welsh.
- 4.11 [Website](http://www.powypensionfund.org) - a full range of Pension Fund and LGPS information is available via the Pension Fund's dedicated bespoke website at www.powypensionfund.org.

- 4.12 [My Powys Pension](#) – an online system that is available to all active and deferred Scheme members. It enables members to read electronic communications; interact with their pension records; log changes to basic data (eg changes to address etc.); and perform pension benefit forecasts.

5. Prospective Scheme Members

- 5.1 Scheme Guide – All prospective Scheme members are provided with Scheme information on being appointed to their employments.
- 5.2 [Website](#) - a full range of Pension Fund and LGPS information is available via the Pension Fund's dedicated bespoke website at www.powyspensionfund.org.
- 5.3 The Pension Fund's intention is to request formal notification of non-joiners from Scheme employers. The information will be used to market the Scheme with dedicated literature.
- 5.4 Pensions Clinics – The Pension Fund provides a periodic clinic service where prospective Scheme members have the opportunity to discuss their individual pension issues on a face-to-face basis.

6. Scheme Employers

- 6.1 Employers' Guide – An Employers' Guide is issued to each employer to assist them in the administration associated with participation in the Scheme.
- 6.2 Ill Health Retirements – The Pension Fund has made available to all participating employers access to the Pension Fund's approved Occupational Health Physician for the purposes associated with ill health benefits.
- 6.3 Employer Meetings and Reports – Periodic Employer meetings are held at least annually. Typically these are used to communicate a variety of Pension Fund matters of specific interest to employers, such as the results of triennial valuations. These will be delivered face to face, where possible, or online via Microsoft Teams to better enable those Employers who are unable to attend on the day to dial in electronically.

In addition, employers receive copies of the Pension Fund's Annual Report & Accounts, Statement Of Investment Principles, Funding Strategy Statement and Governance Policy & Compliance Statement.

- 6.4 Technical Updates – These are sent to employers from time to time to advise them of significant changes to the Scheme and associated legislation.
- 6.5 [Website](http://www.powyspensionfund.org) - a full range of Pension Fund and LGPS information is available via the Pension Fund's dedicated bespoke website at www.powyspensionfund.org.
- 6.6 Technical updates for employers are provided in the form of a quarterly briefing paper, which include, in addition to Scheme changes, matters of national debate and interest on the future development of pensions in general and the LGPS in particular.

7. Pension Fund Officers and Staff

- 7.1 Team Meetings – The Pensions Section meets quarterly where team members consider procedural issues; plan work and developments for the coming quarter and beyond; and, at which the team is kept abreast of Scheme developments and changes. During extended periods of homeworking, team catch up meetings take place every 10 days.
- 7.2 Technical Information – Bulletins and Circulars issued by the Local Government Association together with guidance and consultation documents from the Department for Communities and Local Government are available to all Pension Fund Officers and Staff for information. In addition, periodic in-house procedural guidance, procedure notes and technical explanations are provided, as required.
- 7.3 Intranet and Internet – All staff have been enabled to use the corporate network in order to access both the Powys Intranet and the internet.
- 7.4 E-mails – All staff have access to email facilities.
- 7.5 Pension Fund Manager – The Pension Fund Manager maintains an open-door policy and attempts to make himself available to all staff at all times.

8. Other Stakeholders

- 8.1 All Wales Pension Officers' Group – Pension Officers from the 8 administering authorities in Wales meet regularly in order to ensure uniform interpretation of the LGPS and other associated regulations. The group's views are passed up to the national level via the Local Government Pensions Committee's Technical Group Meetings (an arm of the Local Government Association) that are held quarterly.
- 8.2 All Wales Communications Group – Pensions Officers from the 8 administering authorities in Wales meet periodically in order to devise, develop and promote the use of common Scheme literature.
- 8.3 Wales Pension Partnership – Pension Officers and the Investment Committee Chairs of the 8 administering authorities in Wales meet regularly in connection with pooling investments within Wales. Pension Boards are kept up to date on developments and engage bi-annually via the Chairs of the Pension Boards.
- 8.4 CLASS Group – As a user of the Aquila Heywood Altair Pensions Administration System, the Pension Fund is a member of the local authority CLASS Group and attends both regional user groups and national meetings.
- 8.5 National Fraud Initiative – The Pension Fund has participated in the National Fraud Initiative since 1998 and continues to do so. This has helped to avoid the overpayment of pension benefits to both deceased and re-employed pensioners.
- 8.6 Taxpayers and the General Public – all the principal Pension Fund documents including the Annual Report & Accounts, Actuarial Valuation Reports, Statement of Investment Principles, Funding Strategy Statement, Governance Policy & Compliance Statement and this Statement, are available to the public via the Pension Fund's website at www.powypensionfund.org or on request.

9. Contacts

- 9.1 Any questions, queries or observations on this Statement; or, on matters relating to the investment of the Powys Pension Fund; or, on the governance of the Pension Fund, should be addressed to:

Mr C Hurst
Pension Fund Manager
Powys County Council
County Hall

Llandrindod Wells
Powys LD1 5LG

Tel: 01597 827640

Email: chris.hurst@powys.gov.uk

DRAFT

9.2 Questions or queries concerning membership, benefits or information in respect of the Local Government Pension Scheme, should be directed to:

Mrs M Price
Pensions Administration Manager
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Tel: 01597 827642

Email: megan.price@powys.gov.uk

9.3 All other enquiries should be addressed to:

The Pensions Section
Powys County Council
County Hall
Llandrindod Wells
Powys LD1 5LG

Email: pensions@powys.gov.uk

Mae'r dudalen hon wedi'i gadael yn wag yn fwriadol

CYNGOR SIR POWYS COUNTY COUNCIL

PENSION & INVESTMENT COMMITTEE

25th November 2020

REPORT AUTHOR: Head of Financial Services

SUBJECT: Pension Fund Annual Report 2019/20

REPORT FOR: Decision

- 1.1 In accordance with the Local Government Pension Scheme Regulations 2013, Powys County Council as the Administering Authority of the Powys Pension Fund must prepare a Pension Fund Annual Report for the year beginning the 1 April. The report must be published on or before 1 December.
- 1.2 The Accounts and Audit Regulations (Wales) (Amendment) Regulations 2018 removed the requirement that the Pension Fund forms part of the Councils Statement of Accounts for audit purposes. The audit and approval of the Pension Fund accounts was scheduled to be completed prior to 15 September 2020. However, the onset of the Covid 19 pandemic in March has had a significant impact on the completion and audit of the accounts. Audit Wales prioritised their resources on completing the audit of Council Accounts before directing them to the Pension Fund accounts audit in early September 2020.
- 1.3 Audit Committee have approved the Pension Fund Accounts after considering the Auditor Generals ISA260 report, which intends to issue an unqualified opinion. The Auditor General is expected to sign the Accounts on 23rd November 2020.
- 1.4 Within the ISA260 report, it states “the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Regulations 2013”.
- 1.5 In addition to the Fund accounts, the Pension Fund Annual Report includes key current statements relating to the scheme, a Chairman’s Statement, a Pension Board report alongside additional performance measurement and statistical information.

Recommendation:	Reason for Recommendation:
That Pensions and Investment Committee considers and approves the 2019-20 Pension Fund Annual Report.	To ensure compliance with the Statutory Requirements.

The Annual Report be published by 1 December 2020.	
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Contact Officer Name:	Tel:	Email:
Jane Thomas	01597 826341	jane.thomas@powys.gov.uk



Pension Fund Annual Report 2019/20



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Chairman's Statement

Welcome to the latest Annual Report of the Powys Pension Fund. This report covers the year ending 31st March 2020 which, once again, was a year that saw periods of positive returns on assets, ahead of a dramatic downward turn in the stock markets towards the end of the financial year, together with the COVID-19 outbreak which has been at the forefront of a lot of people's minds at the time of writing this in June 2020.

The fund agreed a new investment strategy during the year, to ensure a sufficiently diversified investment portfolio by reducing allocations to Equities, whilst increasing allocations to Hedge Funds and Fixed Income, ahead of the launch of the fixed income sub funds within the Wales Pension Partnership, which are due imminently at the time of writing this. The Investment Strategy Statement is available on the pension fund's [website](#), but also included as Appendix 4 of this report.

The fund also continued the equity protection strategy that it put in place ahead of the valuation at 31st March 2019, which helped protect the fund against the downward turn that the world saw in the stock markets in March 2020.

One major achievement that we were pleased to see this year, was the publication of the [Responsible Investment Policy](#) in December. This is the first version of the policy, which will be kept under review and amended as required. The fund takes its Environmental, Social and Governance (ESG) responsibilities seriously, so this is a positive step with regards to those responsibilities.

Work on a revised and updated Administration Strategy started towards the end of the year and the consultation with the participating fund employers concluded in May 2020. The statement was published in June 2020.

Once again, the Powys Pension Fund has continued to work alongside the other Welsh LGPS Funds as part of the Wales Pension Partnership and has currently pooled all of the Global Equity Assets into the Global Growth sub fund within the WPP.

The next asset class that will be transition is that of fixed income.

At a local fund level, we look forward to continuing to work closely with our LGPS colleagues in Wales as part of this exciting collaboration.

On a personal level, I was grateful to have been elected as the Chair of the Wales Pension Partnership Joint Governance Committee in June 2019 and will end my term at the summer Joint Governance Committee meeting. During this time the WPP launched a website www.walespensionpartnership.org, where you can read about the achievements and ongoing work, which I would encourage you to do in order to see the excellent progress being made on the pooling of investments within Wales.

Work on the 2019 triennial valuation was completed on time and the fund saw an improvement in its funding level from 80% at the 2016 valuation to 93%, mainly because of excellent investment returns over the period. Funding deficits were reduced and we were able to shorten the recovery periods. The valuation report, prepared by the Fund Actuary, is available [here](#) on the Fund's website.

Looking forward, there are still uncertainties around Brexit but, perhaps on a more global scale, the recovery from the COVID-19 pandemic. The fund will be keeping a close eye on developments and will work closely with its investment consultants to ensure that appropriate decisions are taken at the right time, with the right level of governance.

I trust that you will find this year's report interesting and informative. Should you have any comments on this report or any aspect of the Pension Fund or the Local Government Pension Scheme, see Appendix 3 for details of how to contact us.

Cllr Peter Lewis
Chair of the Pensions and Investment Committee

Statement of Responsibilities for the Pension Fund Accounts

The Council's Responsibilities as Administering Authority

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. For Powys County Council, that officer is the Section 151 Officer.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- Approve the Pension Fund Accounts.

These accounts were approved by Audit Committee on the 19 November 2020.

Signature:  Date 19 November 2020

Audit Committee Chairman

Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Pension Fund's Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"). These accounts are required to present a true and fair view of the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the Pension Fund Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and consistent.
- Complied with the Code of Practice.

The Section 151 Officer has also:

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

Certificate of the Section 151 Officer on the Accounts of Powys County Council Pension Fund for 2019/20.

I certify that the accounts set out on pages 32 to 52 present a true and fair view of the financial position of Powys County Council Pension Fund as at 31 March 2020 and its income and expenditure for the year then ended.

Signature:  Date 19 November 2020

J Thomas, Head of Finance

Pension Board Report

1 Constitution, Representation and Attendance

- 1.1 The Powys County Council LGPS Local Pension Board (“the Board”) was constituted under the Public Service Pensions Act 2013. As such, the Board is not a Committee of the Council.
- 1.2 It held its first meeting on 31 July 2015. It consists of two representatives of the Scheme employers, and two representatives of the Scheme members, all of whom are voting members. There is also a non-voting independent Chair.
- 1.3 The Board met on five occasions during the year on the following dates: 3 April, 10 July, 11 September, 26 November 2019 and 26 March 2020. Each meeting was quorate, with the overall attendance level at 88%. The March meeting was held virtually, due to the Covid-19 virus.

	03/04/19	10/07/19	11/09/19	26/11/19	26/03/20
Gerard Moore: Independent Chair	✓	✓	✓	✓	✓
John Byrne: Scheme Member representative	✓	✓		✓	✓
Mick Hutchinson: Scheme Member representative	✓	✓	✓	✓	✓
Wayne Thomas: Scheme Employer representative	✓	✓	✓		
Nigel Brinn: Scheme Employer representative	✓	✓	✓	✓	✓

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

2 Functions and Operation of the Board

- 2.1 The two primary functions of a Local Pension Board (LPB) are to assist the Administering Authority to:
- ensure effective and efficient governance and administration of the LGPS;
 - ensure compliance with relevant laws and regulations.
- 2.2 It therefore has a monitor/assist/review/scrutinize purpose, rather than being a decision-making body. It could be seen as being a critical but supportive friend. It sets its own agenda, and can be selective and probe particular topics in more depth than the Committee, which has a wider range of statutory responsibilities. As such, the general approach of the Board is to seek assurances with evidence from the Fund and external bodies, that it is meeting its objectives, producing its required

statements, managing its risks, etc. so as to achieve the overall objectives as set out in paragraph 2.1 above. It can and does commission its own reports, and where appropriate, makes recommendations to the Committee and to officers.

- 2.3 In so doing, the Board is helping manage the reputational risk of both the Fund and the Administering Authority. This is more critical now that the LGPS in England and Wales has both the Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator (TPR) as its regulators. The Administering Authority, and in extreme circumstances Board members, can be fined by TPR, who also has other powers available.
- 2.4 The Board is supported by the Board Secretary and operates under Terms of Reference which were initially agreed by Powys County Council in January 2015 and reviewed following the September 2018 Board meeting. The url for current Terms of Reference is shown in paragraph 7.1. The Board has requested a change in its Terms of Reference, as detailed in paragraph 3.12.
- 2.5 In 2019/2020 the direct costs of operating the Board, covering travel and training expenses relating to Board members and the fees and expenses of the Independent Chair amounted to £14,780. These costs do not include any indirect costs relating to officer time nor any apportioned costs for the use of the Council's premises, systems or services recharged to the Fund by the Council. There was a specific budget of £23,021. Board members are covered by indemnity insurance. Mindful of delivering value for money, the Board endeavours to work in a cost-effective manner, as its costs are reflected in employer contribution rates.

3 Detailed Work of the Board

3.1 Overview

- 3.1.1. This is the fifth Annual Report produced by the Board. Since their inception, Local Pension Boards have become increasingly visible and pro-active, as was expected by both TPR and the Scheme Advisory Board (SAB).
- 3.1.2. As such, Boards are in a continuous state of evolution. This has manifested itself in a number of ways. There is an increasing dialogue between Board members between formal meetings. This is especially true between the Board Chair and the Board Secretary.
- 3.1.3 There are excellent communication links between the Board and the Committee, as the Board Chair now produces and formally presents to the Committee an Executive Summary from each Board meeting showing any specific recommendations made by the Board, what assurances it has gained on behalf of the Committee, and any other matters considered to be relevant.
- 3.1.4. The main elements of the work programme of the Board are governance, and oversight of the pensions administration function, which is run by an in-house team. A draft of the revised Governance Compliance Statement was previewed.
- 3.1.5 Amongst other objectives, the Board is endeavouring to help manage the reputational risk of the Fund. Such a focus seeks assurances that the Fund is complying with its responsibilities and obligations. Where appropriate, these reviews are extended to

ensure that all scheme employers are similarly complying, as their complete, accurate, timely and secure supply of information and data is critical. Provision of such quality data prevents a chain reaction of poor key performance indicators, breaches of the law, inaccurate payment of pensions, inaccurate employer contribution rates and inappropriate investment decisions. With these objectives in mind, the Board previewed a draft Pensions Administration Strategy, primarily from the viewpoints of process, procedures and communications, and made a number of recommendations. In addition, the Board Chair made a presentation at the annual meeting with scheme employers.

3.2 Risk management

A separate Risk Register is produced for the Pension Fund. The detailed assessment of the likelihood of each risk occurring and its impact have been judged in the light of the existence of the Board as an additional scrutiny resource. Review of the Risk Register and seeking out any new risks is a standing item at Board meetings. During the year, the Board made various recommendations regarding the Risk Register. These included adding compliance with MiFID II and Covid-19 and pandemics generally to the Register, as well as the temporary risks involved in the transition of documents and data to a new software system.

3.3 The Pensions Regulator (TPR)

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

3.3.2 The Board, together with the Board Secretary, during the year conducted a phased review of the Fund against the standards and expectations as reflected in TPR's Code of Practice 14. Using a "red, amber, green" approach the Board identified areas in which the Fund can make improvements. When examining improvements that have been achieved, the Board seeks assurance that the evidence supports the revised assessment levels.

3.3.3 The Board monitors TPR's annual review of its priorities, and studies its guidance, intervention reports and the reasons behind any fines it levies, and reflects these in agenda setting. Powys was not in the LGPS cohort of 10 Funds visited by TPR. Our local review of the TPR's report and recommendations was initially scheduled for a special meeting in March meeting, but will now be considered at the May 2020 meeting. A particular focus of TPR is cyber security, which has featured appropriately on Board agendas.

3.3.4 The Board continues to be mindful of TPR's Scheme Annual Return, which is an statutory, factual document to be returned within a set deadline, with which Powys complied. The return shows percentages for completeness and accuracy of "common data" and "scheme specific data". Using 2018/2019 data as a baseline, TPR will be measuring and seeking annual improvements in data quality. Whilst data quality for

Powys is at a high level, nevertheless a Data Improvement Plan is in place, which the Board will continue to monitor as a key part of its Work Programme.

- 3.3.5 In addition to the statutory Scheme Annual Return, the Pensions Manager and Board Chair also completed the Regulator's voluntary annual survey, which is more subjective than the Annual Return. The Board made a number of recommendations that would improve the quality and consistency of responses.

3.4 Reporting and Recording Breaches

The Board, and all associated with the Fund, other than individual scheme members, have a responsibility to report significant breaches of law to TPR. The Board reviews any breaches of the law as a standing item on its agenda. During 2019/2020 none of the recorded breaches were deemed to be of material significance to the TPR, hence no breaches were formally reported via the Administering Authority. A fast track reporting system is in place for reporting breaches of material significance to TPR in a timely manner.

3.5 Scheme Advisory Board (SAB)

- 3.5.1. The Board monitors the focus and priorities of the SAB, takes them into account in setting its Work Programme, and also receives minutes of SAB meetings. Increasingly the SAB is issuing guidance to pension funds.
- 3.5.2. The SAB commissions periodic surveys of local pension boards. The survey scheduled for 2019/2020 was postponed.

3.6 Review of Investment Issues

Whilst the vast majority of the Board's work programme focuses on administration and governance issues, investment issues are not ignored.

- 3.6.1 As expected under the relevant Investment Regulations, the Board continues to monitor the on-going consideration and development of an appropriate strategy for responsible investment, as reflected in the Fund's Investment Strategy Statement. The revised UK Stewardship Code 2020 will be considered on a future agenda.
- 3.6.2. The Board continues to receive updates on progress by the Wales Pension Partnership on pooling of assets. The eight Chairs of the Wales pension boards participate in half yearly engagement meetings with the host authority and external providers. The relationship between the responsible investment policy of the Wales Pool compared with that at each individual Fund is monitored.
- 3.6.3 The Board keeps a watchful eye on on-going compliance with MiFID II, particularly should there be any changes of key staff with investment expertise.
- 3.6.4 The Board receives reports on cash flow predictions, which help the Board gain assurances that pensions and lump sums will be paid on time, and that there is sufficient flexibility in its cash management arrangements that avoid any forced fire-sale of assets.

3.7 Scheme documents

- 3.7.1 The Board examines the range of scheme documents expected to be in place, and with which Board members are expected to be conversant. To facilitate that requirement the Board recommended that all relevant documents are listed and easily accessible on the Fund's website.
- 3.7.2 The Board pays particular regard to those standard letters and documents which are sent to scheme members and has made recommendations regarding their content.

3.8 Triennial Valuation 2019

Completion of the Triennial Valuation, which sets the rates of employers' contributions for the next three years, was one of the key achievements of the Pensions and Investments Committee over the last financial year. The Board Chair presented a training event focussing on the role of the Board in this major exercise. This enabled the Board to gain assurances regarding the accuracy of the data provided to the Fund Actuary, the timeliness of the data submission, the management of employer risk, the level of prudence in the assumptions regarding the discount rate chosen and the manner in which the dual interests of Powys County Council as both Administering Authority and as a scheme employer were managed, in accordance with the principles of good governance.

3.9 Covid-19 and pandemics generally

The March Board meeting was held remotely on 26 March 2020, three days after the start of lockdown in the UK. As such there was little time for the Board to seek assurances on the wide-ranging changes necessary to ensure the safe and timely continuation of paying monthly pensions, lump sums, and to consider other administrative and governance issues. These will be examined at the first meeting in 2020/2021. The Board recommended that "pandemics" be added to the Risk Register, including the impact on scheme employers.

- 3.10 As Board Chair, I hold as a minimum an annual discussion with Powys County Council's Section 151 Officer. Appropriate assurances have been received regarding the appropriate resourcing of the Pensions Team.

3.11 Internal Audit report

At the March 2020 meeting, the Board, in closed session, previewed an internal report which focussed primarily on the pensions administration service. The Board noted the audit conclusions, which will next be considered by the Committee. The Board identified some other dimensions which might usefully be incorporated into future internal audit reports.

3.12 Membership of the Board

As indicated in paragraph 1.2, the current membership of the Board is two scheme member and two scheme employer representatives, plus an Independent Chair. Whilst this meets the legal requirements, I have been concerned that a number of meetings have had to be re-scheduled to ensure quoracy, and that the quality of

outcomes would be increased by an additional two Board members. This would also increase resilience and, as board members come towards the end of their term of office, offer opportunities to arrange succession planning. The Board's recommendation at its meeting on 11 September 2019 is still awaiting approval from Powys County Council.

4. Ensuring Compliance with Regulatory Deadlines.

- 4.1 An increasing component of the Board's agenda is ensuring compliance with regulatory deadlines, some of which represent an annual requirement, whilst others relate to the effective dates of new legislation and regulations. In all cases timely progress reports are received with the Board considering whether any recommendations are needed to help ensure that deadlines are met.
- 4.2 Annual requirements include producing Annual Benefit Statements for active members, Pension Savings Statements, the submission of the Scheme Annual Return to the TPR and publication of the Pension Fund Annual Report and Accounts. The Fund complied with these deadlines.
- 4.3 The Fund complied with the specific deadline of 31 March 2020 for the certification of the employers' contribution rates by the Fund's Actuary resulting from the Triennial Valuation as at 31 March 2019.

5. Training

- 5.1 Each Board member must be conversant with the details of the Scheme, which translates as having a good working knowledge. On appointment, a new Board member receives one to one training with the Board Chair.
- 5.2 The training policy for Board members is based on an individual training needs analysis and is therefore being individually tailored. This allows use of both the CIPFA Framework and TPR Toolkit. Board members are informed of external training opportunities such as CIPFA Pensions Network events and the annual LGA/LGPS Trustees Conference, and are encouraged to attend at least two such seminars or conferences each year.
- 5.3 In addition Board members are invited to internal training events provided for Committee members which are often targeted to specific events. During 2019/2020, the topics covered included the Triennial Valuation 2019, cyber security and data protection, and responsible investment.
- 5.4 During the year the Board adopted a communications log of all relevant guidance and regulatory documents received, to enable Board members to keep their knowledge and skills up to date. An appropriate example is the CIPFA "Guide to Administration in the LGPS".
- 5.5 Further, and potentially more convenient training opportunities are being presented via a significant increase in the availability of webinars, due to the UK lockdown.

5.6 As Independent Chair, I attend many industry events, and am able to share some of the learning with Board members, thus adding informal training to the range of opportunities available to the Board.

6. Workplan

6.1 The work plan for 2020/2021 covers the following activity areas:

- Pension Fund Annual Report and Accounts
- administration, including Key Performance Indicators, the Data Improvement Plan and, potentially, Value for Money studies
- audit and risk management, including the Risk Register
- governance; including conflicts of interest, recording and if appropriate reporting breaches, and compliance with TPR's Code of Practice 14
- investments, including developments with the Wales Pooling Partnership: implications for Administering Authorities
- external deadlines
- training
- member communications
- on-going reviews of cyber security, GDPR and preventing pension scams
- participating in and learning from relevant surveys, e.g. of SAB and TPR.
- A preview of the Forward-Looking Business Plan

6.2 There is flexibility to allow for any additional reviews and developments.

7. Public accountability

7.1 As well as being open to the public, the agendas, minutes and the Board's Terms of Reference are available on the Authority's website at the following address:

<https://www.powypensionfund.org/powys-pension-fund/about-us/forms-and-publications/>

The Chair of Powys County Council's LGPS Local Pension Board wishes to thank his fellow Board members who have volunteered their time and energies in their roles. Thanks are also expressed to the Board Secretary, the Chair of the Pensions and Investments Committee, the s151 Officer, the Cabinet Manager for Legal, Scrutiny and Democratic Services, and to other support officers.



Gerard Moore
Independent Chair
Powys County Council LGPS Local Pension Board

17 May 2020

Scheme Management and Advisors

The Pensions & Investment Committee is the principal decision-making body for the Pension Fund responsible for management, investment and administration issues. The Committee is governed by its constitution which sets out the Committee's authority, its membership and its overall mode of operation.

Members of the Committee are drawn from Powys County Council as the administering authority with the addition of two further (non-voting) members representing Fund Employers and Scheme Members. The Committee receives advice and guidance from both Officers of Powys County Council and external professional advisers. From 5 May 2018 the membership of the Committee was as follows:

County Councillor P Lewis (Chair)
 County Councillor E A Jones (Vice Chair)
 County Councillor T Van-Rees
 County Councillor J Morris
 County Councillor H Williams
 County Councillor A Davies
 Mr A M C Weale (Fund Employers)
 Vacant (Scheme Members)

Officers and Fund Advisors:

Mrs J Thomas (s.151 Officer and Head of Finance)
 Mr C Hurst (Pension Fund Manager)
 Mr D Paley (Financial Reporting and Policy Accountant)
 Mrs R Pinder / Mr S Mayne / Mr G Feane / Mr R Antrobus – Aon (Investment Consultants)
 Mrs B Durran – Aon (Actuary)
 Burges Salmon (Legal Advisers)

Link Asset Services (Wales Pension Partnership FCA Authorised Operator)

Risk Management

The Fund uses a risk register to identify, manage and monitor risks to the Fund. The risk register can be found under the heading Governance and Policies, with the following link.

<https://www.powyspensionfund.org/powys-pension-fund/about-us/forms-and-publications/>

The Investment Strategy Statement (Appendix 4) highlights the Funds approach to risk, the assessment of risks and how they are managed. The Funding Strategy Statement (Appendix 6) includes the key risks and controls in place to mitigate them.

At year end investment managers are requested to provide SSAE16/70 or equivalent type reports for review. Our Investment Advisors provide quarterly reports in line with Committee meetings to update on investment activity and performance over the period.

Financial Performance

Detailed information on the accounts of the Fund can be found later in the report. The main movements between years can be attributed to increases in the market value of the investments. The movements in non-investments assets and liabilities can be found in Note 13: Current Assets and Liabilities of the accounts.

At the last valuation it was determined that the aggregate Employer total contribution rate required to restore the funding ratio to 100% using a recovery period of 16 years from 1 April 2020 is 25.3% of pensionable pay. In 2019-20 contributions were received in timely manner.

Fund Administration Report

Scheme Details

Powys County Council is the Administering Authority for the Powys Pension Fund. The Pension Fund provides pension entitlements under the Local Government Pension Scheme (“LGPS”) to all eligible employees of Powys County Council and other participating bodies. Membership of the LGPS is not mandatory and excludes teachers, police officers and fire fighters, for whom specific separate pension schemes are available. The LGPS is a statutory public service defined benefit pension scheme based on final salary for benefits accrued up to 31 March 2014 and career average revalued earnings (“CARE”) for benefits accrued from 1 April 2014. Contributions payable by employees and the benefits due to them are prescribed by the Local Government Pension Scheme Regulations.

Additional Voluntary Contribution (AVC) Scheme

Since 6 April 1988, it has been a legal requirement for all pension schemes to provide members with access to an in-house AVC Scheme. The Powys Pension Fund’s appointed providers are the Standard Life Assurance Company, Prudential plc and the Equitable Life Assurance Society, who transferred their business over to Utmost Life and Pensions during the year. Members are able to pay contributions into a variety of AVC arrangements offered by the providers, to secure additional pension benefits. The AVC investments are excluded from the Pension Fund Accounts.

Changes to Scheme Rules

During 2019/20 there have been two statutory instruments issued that have changed the rules governing the LGPS.

The first was The Local Government Pension Scheme (Amendment) Regulations 2019, which came into force on the 31 December 2019. They amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing survivor benefits payable under the earlier regulations for opposite-sex civil partnerships. A person who is the surviving opposite-sex civil partner of a deceased member will be provided with a survivor pension calculated on the basis that the survivor is a widow or widower, depending on their gender.

The second set of changes were introduced in The Local Government Pension Scheme (Amendment) Regulations 2020. They came into force on 20 March 2020 but have effect from 14 May 2018 and allow administering authorities to take account of an employer’s exposure to risk when calculating an exit credit from the Fund.

The Pensions Regulator

In April 2015 the Pensions Regulator published the Code of Practice no. 14: Governance and Administration of Public Service Pension Schemes. The Code applies to all schemes established under the Public Service Pensions Act 2013 and is directed at scheme managers and members of pension boards of public service schemes. The Code contains four parts:

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

- Pension Fund officers and the Powys Pension Board will continue to oversee and monitor the performance of the Powys Pension Fund against the Code.
- The Fund is required to complete an annual return to The Pensions Regulator and include scores on the quality of the Common and Scheme Specific Data, measured against the regulator's specified criteria. In the latest return, the scores for the quality of Common Data was 96.8% and the Scheme Specific Data was 91.6%.

A data improvement plan was published in October 2018, outlining how the Fund plan to tackle the highest priority cases and improve the quality of the data that it holds and, in turn, improve the above scores for future annual returns.

Altair

Since January 2011 the Pensions Team's main administration system has been Altair, provided by Heywood. This system is used for holding membership data, the calculation of pension benefits, the generation of scheme documents and the data extracts required at each actuarial valuation. In addition, the Team also now uses the workflow and document management facility within Altair, following completion of the transition from the Civica system towards the end of the year.

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

The address for this facility is www.mypowypension.co.uk.

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

Performance Standards

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

New Active Members

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

Transfers In: We aim to acknowledge the member's request for transfer details and calculate the estimated benefits that a transfer value will buy and issue a quotation within 10 days of receiving details from the previous scheme and any additional essential information required from Her Majesty's Revenue & Customs. We aim to request payment of the transfer value within 5 days of receiving confirmation from the member that the transfer is to proceed. We aim to confirm the actual benefits purchased by the transfer value within 10 days of receiving payment from the previous scheme.

Existing Active Members

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

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

Retirements: We aim to send details of the benefits payable and pay the member's tax-free cash lump sum within 10 days of receiving all of the information required from the member's employer and/or the member.

Deaths: We aim to send details of the benefits payable within 10 days of receiving all of the information required from the late member's employer and we will pay the lump sum death grant within 10 days of receiving Grant of Probate (or other appropriate documentation) or authorisation from two delegated officers.

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

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

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

Deferred Members

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

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

Communications

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

Powys Pension Fund communicates with all stakeholders, as defined in specific legislation. Communications are increasingly distributed via electronic means, with all documents available on the dedicated Pension Fund website:

www.powyspensionfund.org, whilst Pension Team staff can be contacted via a dedicated email address: pensions@powys.gov.uk. A named Pension Technician is allocated to each member of the Scheme.

A Communications Policy is available on the Fund's website

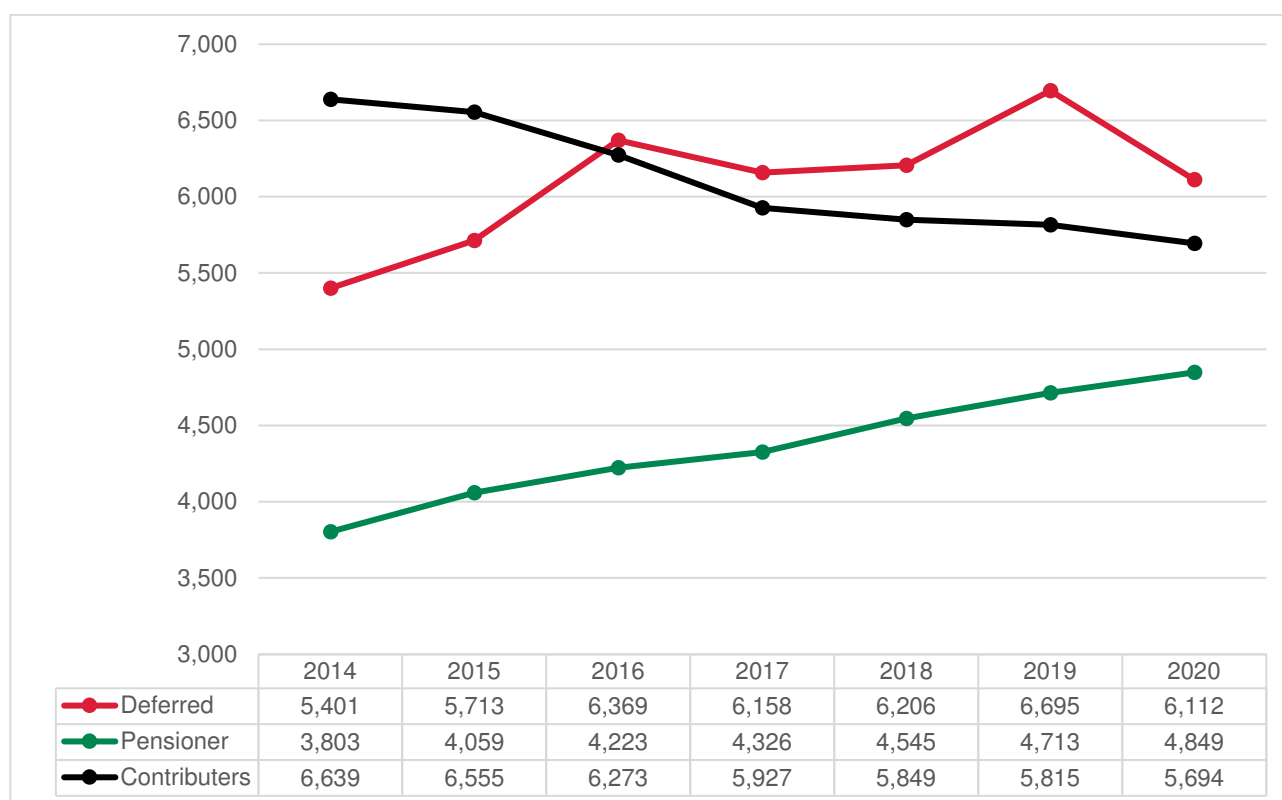
<https://www.powyspensionfund.org/media/4316/communications-policy-statement-reviewed-october-2018.pdf>

Appropriately qualified members of staff from the Pension Team or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings as required. The Pension Fund's objective in respect of communication is to comply with relevant legislation and ensure that individual members and employers receive accurate and timely information about their pension arrangements.

Scheme Statistics and Performance

Membership Trends

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



The total for deferred members does not include unprocessed leavers or frozen refunds.

Details of new pensioners

Total Retirements in 2019-20	
Ill Health	1
Early Retirements	218
Normal Retirements	30

Financial Indicators

The total number of scheme members at 31 March 2020 was 16,655.

	2019-20 Total Expenses £'000	2019-20 Cost per member £
Administration expenses	1,073	64
Investment management expenses	2,778	167
Oversight and governance costs	126	8
Total Management Expenses	3,977	239

The following data has been collected from SF3 data and compared with the other Wales Funds.

Process	2015/16	2016/17	2017/18	2018/19	2019/20	Wales 2019/20
Investment Management Expenses						
Total Cost (£'000)	2,706	2,152	2,330	2,432	2,778	75,000
Total Membership (number)	16,416	16,348	16,431	16,601	16,655	368,000
Sub Cost per Membership (£)	164.84	131.64	141.81	146.50	166.80	203.80
Administration Costs						
Total Cost (£'000)	906	1,413	1,002	1,019	1,073	11,000
Total Membership (number)	16,416	16,348	16,431	16,601	16,655	368,000
Sub Cost per Membership (£)	55.16	86.43	60.98	61.38	64.43	29.89
Oversight and Governance Costs						
Total Cost (£'000)	111	126	92	151	126	4,000
Total Membership (number)	16,416	16,348	16,431	16,601	16,655	368,000
Sub Cost per Membership (£)	6.76	7.71	5.60	9.10	7.57	10.87
Total Cost per Member	226.79	225.78	208.39	216.98	238.80	244.57

Staffing

There are 8.8 (FTE) members of staff in the Pension Administration section. Of their work 6.2 FTE equivalents would be performing purely pension administration tasks. This calculates to a ratio of 2,686 members per member of staff performing purely pension administration tasks.

Employers in the Fund

Employer Data	Active	Ceased	Total
Scheduled Bodies	11	6	17
Admitted Bodies	14	7	21
Total	25	13	38

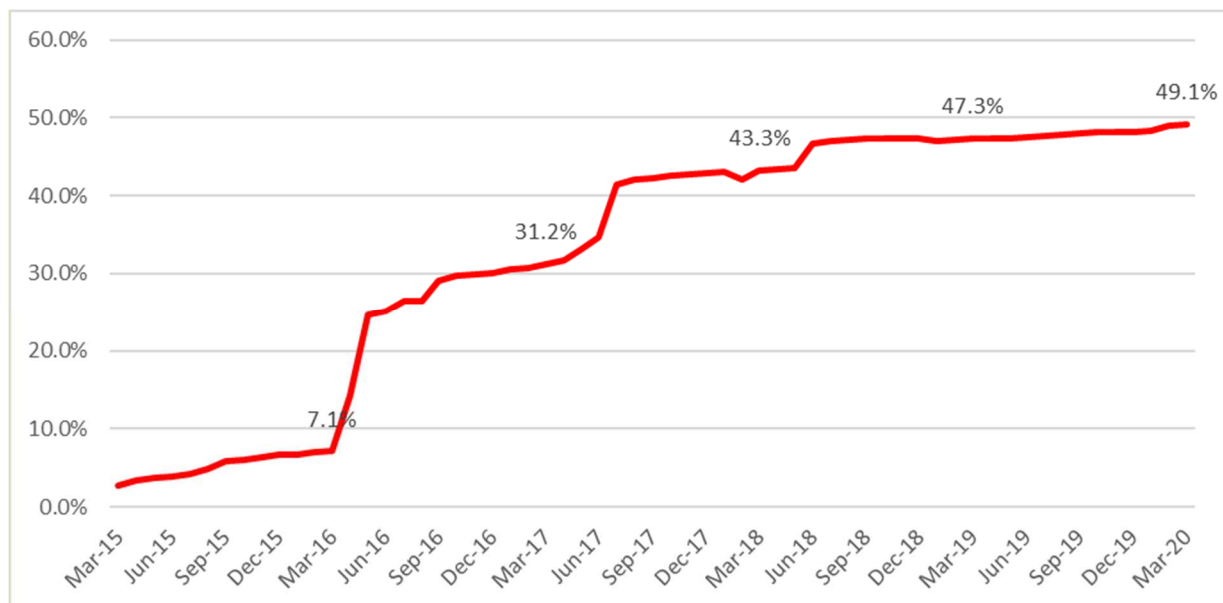
Further details of Fund Employers can be found in Appendix 3.

Contributions received by employers and employees

2019/20	No. of Contributors 31 Mar 2020	Employers Normal £	Employers Additional £	Members Normal £	Total £
Scheduled Bodies					
Brecon Beacons National Park	105	454,057		164,709	618,766
Brecon Town Council	5	20,357		6,147	26,504
Llandrindod Wells Town Council	1	7,685		2,437	10,122
Llanidloes Burial Joint Committee	1	2,710		731	3,441
Llanidloes Town Council	1	5,423		1,711	7,134
Machynlleth Town Council	6	22,289		6,198	28,487
Newtown Town Council	10	52,179		15,749	67,928
Powys County Council	5,163	13,852,641	656,510	4,615,304	19,124,455
Welshpool Town Council	2	4,817		1,286	6,103
Ystradfellte Community Council	1	469		126	595
Ystradgynlais Town Council	2	9,925	6,896	3,181	20,002
Total	5,297	14,432,552	663,406	4,817,579	19,913,537
Admitted Bodies					
Adapt business Services	23	15,865		3,813	19,678
Aramark	0	115		28	143
BUPA	0	19,513	15,286	5,302	40,101
Bupa Brynhyfred	0	718		149	867
Careers Wales	17	93,950		26,366	120,316
Freedom Leisure (Ex Pcc)	211	214,588		93,769	308,357
Freedom Leisure (Post PCC)	33	10,563		4,472	15,035
Heart Of Wales Property Services	60	353,101		110,313	463,414
Just Perfect Catering Ltd	2	2,447		164	2,611
Menter Maldwyn	4	10,523		5,183	15,706
Mirus-Wales Ltd	4	17,747		5,678	23,425
P.A.V.O. (Former P.R.C.)	3	13,944		3,937	17,881
Powys Dance	1	6,498		2,061	8,559
Shaw Health Care (Group)	25	102,283		22,169	124,452
Solo Service Group	12	22,564		5,342	27,906
Theatr Brcheiniog	1	3,500		1,251	4,751
Ystradgynlais Miners Welfare & Com Hall Trust Ltd	1	8,696		2,326	11,022
Total	397	896,615	15,286	292,323	1,204,224
Total	5,694	15,329,167	678,692	5,109,902	21,117,761

My Powys Pension Engagement

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



Website traffic

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

Financial Year	Visits	New Visits	Page Views	Avg. Pages per Visit
2016/17	2,789	1,816	10,171	3.65
2017/18	1,999	1,307	6,283	3.14
2018/19	3,359	2,527	5,886	1.75
2019/20	3,186	2,464	5,650	1.77

Workflow Performance

As covered in Performance Standards on page 18, the below table shows the workload placed on the Pensions Team and how many of the various requests have been fulfilled. The 'Performance' percentage is calculated by dividing the number of tasks completed in the given year by those raised in the same year. As such if some of the completed tasks were originally raised in the previous year, this may exceed 100%.

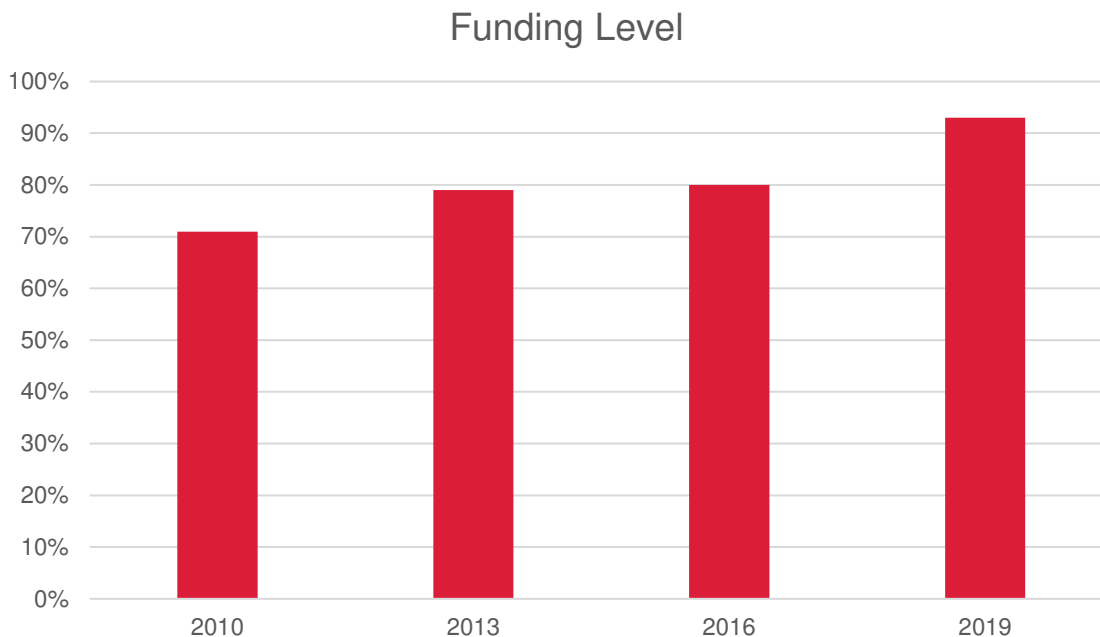
	2017/18	2018/19	2019/20
Brought Forward	963	1,055	1,882
Started	8,054	7,209	8,766
Completed	7,962	6,506	8,371
Carried Forward	1,055	1,758	2,277
Performance	98.9%	88.25%	96.11%

The overall performance over the 2019/20 year is at 96.11%. Whilst this is below the benchmark of 100%, this primarily due to the increase in the number of leavers with deferred benefits and the aggregations arising as a result.

Process	No. cases outstanding at start of the period	No. Cases commenced in year	No. cases completed in year	No. cases outstanding at year end	% completed in year
Deaths	3	213	219	23	102.82%
Retirements	60	451	455	56	100.89%
Deferment	614	943	576	981	61.08%
Transfers in	30	150	176	4	117.33%
Transfers out	11	134	145	0	109.85%
Divorce quote	9	27	28	8	103.70%
Divorce actual	1	6	6	1	100.00%
Pensions Estimates	88	866	896	58	103.46%
Starters	9	832	839	2	100.84%
Aggregations	266	913	808	371	88.50%

Process		Legal Requirement (from Notification)	%
Death	Letter Acknowledging death of member	2 months	100.00%
Death	Letter notifying amount of dependant's benefits	2 months	100.00%
Deferment	Calculate & Notify Deferred Benefits	2 months	64.71%
Transfer Out	Letter detailing Transfer Out Quote	2 months	100.00%
Refund	Process and Pay a Refund	2 months	94.37%
Divorce Quote	Letter detailing cash equivalent value and other benefits	3 months	85.00%
Divorce Actual	Letter detailing implementation of cash equivalent value and application of pension sharing order	3 months	100.00%
Joiners	Send notification of joining the LGPS to scheme member	2 months	100.00%

Funding and Valuation



The aim of the funding is to accumulate current contributions at a level sufficient to provide known benefits at some time in the future. In short therefore, the scheme benefits are financed by contributions from employees and employers together with income from investments. Both the employees' contributions and the benefits to be provided by the scheme are fixed by the Government as set out in the Local Government Pension Scheme Regulations, leaving the employers' rate of contribution as the only element which can be deliberately adjusted.

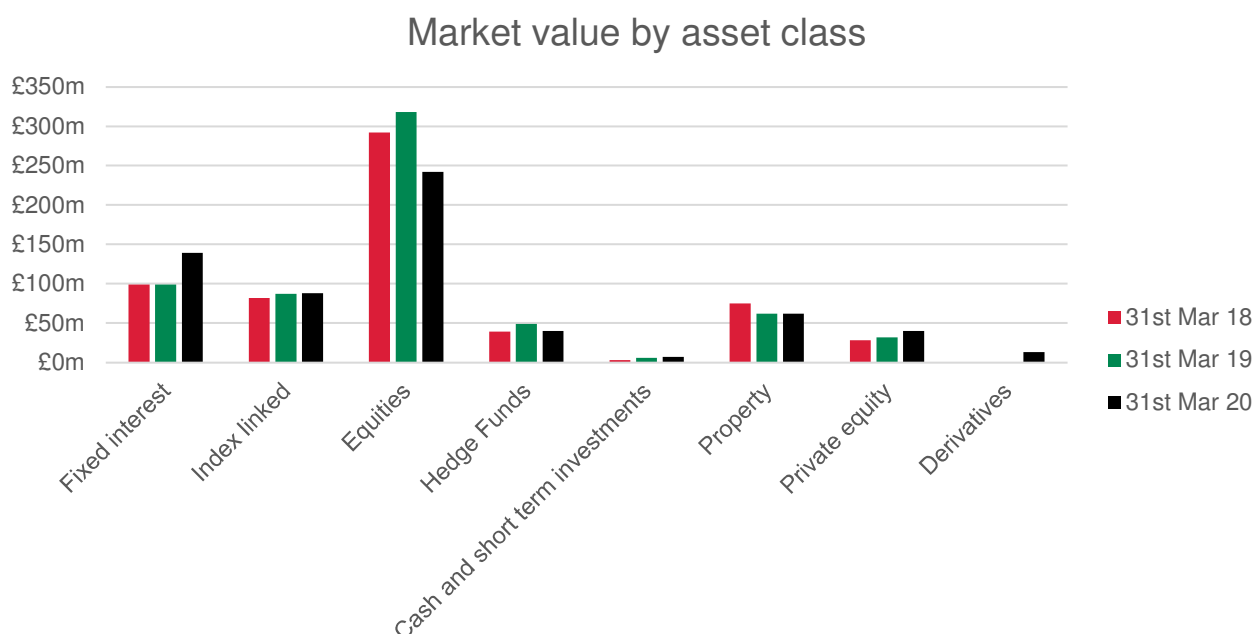
The employers' rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are

required by law with a major review being undertaken every third year. The statement of the actuary can be seen on page 53.

The actuarial valuation as at 31 March 2019 showed the assets held at the valuation date were sufficient to cover 93% of the accrued liabilities assessed on an ongoing basis. This is a marked improvement on the 80% achieved as at 31 March 2016, however, it is the long-term goal to achieve 100% funding and efforts continue to be made to address this. The level of funding has no impact on members' benefits which are guaranteed by law.

Investment Policy and Performance Report

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



The investment style of the Fund is to appoint external expert fund managers with clear performance benchmarks and place accountability for performance against those benchmarks on the fund managers. The benchmarks are outlined in paragraph 6.3 of Appendix 4, The Investment Strategy Statement. The Chief Financial Officer must ensure that the management of the Fund falls within the requirements of the Local Government Pension Scheme Regulations.

During 2019/20 the transition of active equity funds to the Wales Pension Partnership pool was completed, also, an equity protection strategy using derivatives was undertaken during the period. Of the £30.9m capital commitment (Note 18) outstanding as at 31 March 2019, £4.9m was drawn down in 2019/20.

Performance Review

	1 Year %	3 Years %	5 Years %
Powys Pension Fund Overall Return	(0.95)	2.23	5.15
Inflation CPI	1.7	2.3	1.6
Average Earnings Index	3.1	2.8	2.6

Given the long-term nature of the Fund, perhaps the most significant column above is that detailing the comparisons over five years. Inflation and average earning percentages are taken from the Office for National Statistics data.

Asset Class and Manager Performance

Asset Class/ Manager	1 Year			3 Year			5 Year		
	PF	BM	ER	PF	BM	ER	PF	BM	ER
Equity	-9.8	-7.6	-2.1	0.3	2.4	(2.1)	5.6	5.9	(0.3)
LF WPP Global Growth Fund	-7.2	-6.7	-0.5	n/a	n/a	n/a	n/a	n/a	n/a
BlackRock	-10.7	-10.7	0	0.6	0.6	0.0	n/a	n/a	n/a
Bonds	2	2.8	-0.8	1.8	2.6	(0.8)	3.1	4.3	(1.2)
Insight Corporate Bond	2.2	1.4	0.7	1.9	2.1	(0.2)	3.2	3.2	0.0
BlackRock Corporate Bond	1.2	0.7	0.5	2.4	2.0	0.4	n/a	n/a	n/a
Insight Absolute Return Bond	-1.4	0.8	-2.1	(1.2)	0.7	(1.8)	0.2	0.6	(0.4)
Insight Index Linked Gilt	4.2	2.4	1.8	n/a	n/a	n/a	n/a	n/a	n/a
BlackRock Index Linked Gilt	2.4	2.4	0	3.0	2.9	0.1	n/a	n/a	n/a
Blackrock Gilts	10	9.9	0.1	3.8	4.6	(0.9)	n/a	n/a	n/a
Property Fund	0.9	0	0.8	5.4	5.0	0.4	5.5	5.8	(0.3)
Aviva	0.2	0	0.1	5.3	5.0	0.3	5.0	5.8	(0.8)
Hermes UK Property Fund	1.8	0.1	1.7	6.4	5.3	1.1	n/a	n/a	n/a
Schroders UK Property Fund	-0.7	0	-0.7	5.1	5.0	0.1	6.6	5.8	0.7
CBRE European Property Fund	-55.3	2.6	-57.9	(27.1)	2.8	(30.0)	n/a	n/a	n/a
Private Equity	34.4	-5.5	39.9	16.6	2.7	13.9	n/a	n/a	n/a
Standard Life	22.9	-5.3	28.2	16.8	2.8	14.0	n/a	n/a	n/a
HarbourVest	34.7	-5.3	39.9	16.5	2.8	13.8	n/a	n/a	n/a
Hedge Funds	-9.8	0.8	-10.6	(1.0)	0.7	(1.6)	n/a	n/a	n/a
Man Alternative Risk Premia	-4.6	0.8	-5.4	n/a	n/a	n/a	n/a	n/a	n/a
CFM Systematic Diversified Fund	-14.1	0.8	-14.9	n/a	n/a	n/a	n/a	n/a	n/a
IPM Systematic Macro Fund	-13	0.8	-13.8	n/a	n/a	n/a	n/a	n/a	n/a

PF = Powys pension Fund

BM = Benchmark

ER = Excess Return

	Blackrock	Link WPP	Insight Investments	CFM, IPM & MAN	Aviva, CBRE, Schroders & Hermes	Standard Life & Harbourvest	
Asset Class	Passive %	Active %	Active %	Active %	Active %	Active %	Total %
Equities	22.4	16.0	-	-	-	-	38.4
Bonds	4.8	-	17.1	-	-	-	21.9
Index Linked	9.2	-	4.8	-	-	-	14.0
Hedge Fund	-	-	-	6.3	-	-	6.3
Property	-	-	-	-	9.7	-	9.7
Private Equity	-	-	-	-	-	6.5	6.5
Derivatives	-	-	2.1	-	-	-	2.1
Cash/ Other	0.6	0.5	-	-	-	-	1.1
Total	37.0	16.5	24.0	6.3	9.7	6.5	100.0

Investment manager structure as a percentage of fund total, as at 31 March 2020

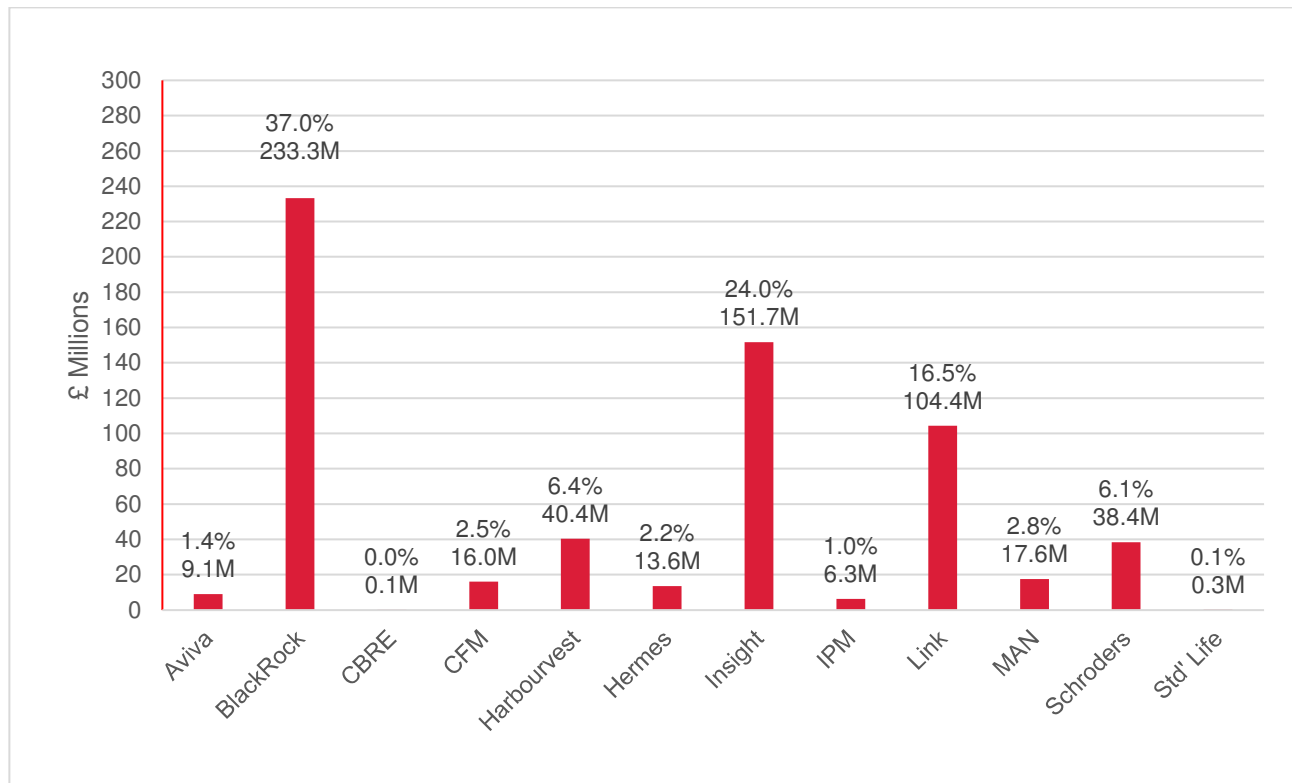
The strategic asset allocation is as follows:

2018/19		2019/20
47%	Equities	47%
30%	Fixed interest and index linked securities	30%
10%	Property	10%
5%	Private equity	5%
8%	Hedge fund of funds	8%
100%	Total	100%

The current strategic asset allocation is 70% return seeking and 30% risk reducing (matching assets). This strategy was determined with the aid of the fund's Investment Advisors.

The strategic asset allocation is the ideal target and cannot be achieved until the scheme is fully funded in all areas. It does not reflect the actual investments held at the year-end. The current structure aims to have a 70:30 split between return seeking and liability matching assets.

The market value of assets spread between the fund managers as at 31 March 2020 is shown below.



Post pool reporting

In January 2019, the Fund transferred assets into the LF Wales PP Global Growth Fund, a global equity fund managed by the Wales Pension Partnership pool operator Link Asset Services. The split of investments by manager can be found in note 12b: Investments Analysed by Fund Manager, of the accounts. The value of assets transferred to the pool at 31 March 2020 is £233.3m passive and £104.4m active, a total of £337.7m, 53.5% of total investments. Links to the WPP documents are below.

<https://www.walespensionpartnership.org/media/jklgyfee/wpp-annual-update-2019-20.pdf>

<https://www.walespensionpartnership.org/publications/annual-reports/>

2018/19 £'000	WPP Oversight and Governance Costs	2019/20 £'000
73	Set-Up Costs	67
20	Host Authority Costs	21
	WPP Investment Management Expenses	
46	Fund Manager Fees	516

Net Assets Statement

As at 31 March

2019 £'000		Note	2020 £'000
652,770	Investments	12	631,105
3,215	Current Assets	13	14,243
(1,412)	Current Liabilities	13	(803)
654,573	Net Asset as at 31 Mar		644,545

The accounts show cash held with the Investment Managers as investments as recommended in the Statement of Recommended Practice, Financial Reports for Pension Schemes.

Pension Fund Account

2018/19 £'000		Note	2019/20 £'000
	Contributions and benefits		
(26,545)	Contributions receivable	4	(27,367)
(1,851)	Transfers in	5	(1,459)
(31)	Other income	6	(34)
(28,427)	Total income		(28,860)
26,218	Benefits payable	7	28,579
2,664	Payments on account of leavers	8	2,746
3,602	Management expenses	9	3,977
32,484	Total expenditure		35,302
4,057	Net withdrawals from dealing with members		6,442
	Returns on investments		
(6,153)	Investment income	10	(5,690)
2	Taxes on Income	11	1
(33,542)	Changes in the market value of investments	12	9,275
(39,693)	Net profit on investments		3,586
(35,636)	Net (increase)/decrease in the fund		10,028
618,937	Opening net assets		654,573
654,573	Closing net assets		644,545

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Note 1: Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2019/20 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

Note 2: Accounting Policies

Contributions and Benefits

Contributions are accounted for on an accruals basis. Benefits payable represents the benefits entitlement up to the end of the reporting period.

Transfers to other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contribution to purchase scheme benefits are accounted for on a receipts basis and are included in Additional Contributions.

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

Refunds to Leavers

These are accounted for when due.

Investment Management Expenses

Each fund manager receives a fee for their services based on the market value of the assets they manage.

Investment Income

Interest income

Interest income is recognised in the fund account as it accrues.

Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Change in Market Value

Changes in market value of investments comprise reinvested investment income and all realised and unrealised profits/losses during the year.

Foreign Currency Transactions

Assets and liabilities held in a foreign currency are translated at the rate of sterling quoted at year-end. Income and expenditure arising during the year is translated into sterling at the rate quoted on the date of receipt or payment. Resulting exchange gains or losses are recognised through the revenue account.

Valuation of Assets

No property is directly held by the fund. The market value used for quoted investments is the bid market price ruling on the final day of the accounting period. Fund Managers value unquoted securities at the year-end in line with generally accepted guidelines to ascertain the fair value of the investment. Change in Market value also includes income which is reinvested in the fund, net of applicable tax. Fixed interest securities are recorded at net market value based on their current yields. Fair value for limited partnerships is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership. It is not the intention of the fund to dispose of unquoted investments before maturity.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

Financial Liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net assets statement (note 21).

Administrative expenses

All staff costs of the pension administration team and other overheads are apportioned to the fund in accordance with Council policy.

Contingent Liabilities

Contingent liabilities are possible liabilities whose existence will only be confirmed by future events and are not recognised until the realisation of the loss is virtually certain.

Additional Voluntary Contributions (AVC's)

Members of the Pension Fund may make additional voluntary contributions (AVCs) in order to obtain improved benefits on retirement. The AVC investments are excluded from the Financial Statements of the Powys Pension Fund, in accordance with section 4(2)b of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 15).

Note 3: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2020 was £40.7m (31 March 2019: £31.8m).

Property fund valuations

The outbreak of the Covid-19 pandemic has impacted global financial markets creating uncertainty surrounding illiquid asset values. As at 31 March 2020, our property managers consider that less weight can be attached to valuations, resulting in valuations being reported on the basis of 'material valuation uncertainty'.

An analysis of investments can be found later in Note 12a.

Pension Fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in the statement of the actuary. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note 4: Contributions Receivable

2018/19 £'000	By Category	2019/20 £'000
21,480	Employers	22,257
5,065	Employees	5,110
26,545		27,367

2018/19 £'000	By Authority	2019/20 £'000
24,225	Powys County Council (administering body)	25,214
956	Scheduled bodies	921
1,364	Admitted bodies	1,232
26,545		27,367

2018/19 £'000	By Type	2019/20 £'000
15,008	Employers normal contributions	15,329
5,065	Employees normal contributions	5,110
982	Employers additional contributions	679
5,490	Employers deficit reduction contributions	6,249
26,545		27,367

Note 5: Transfers In

2018/19 £'000		2019/20 £'000
1,851	Individual transfers from other schemes	1,459

Note 6: Other Income

2018/19 £'000		2019/20 £'000
10	Administrative fees received	34
21	Additional allowances recovered	-
31		34

Note 7: Benefit Payable

2018/19 £'000		2019/20 £'000
22,103	Pensions	23,040
3,594	Commutations and lump sum retirement benefits	4,826
521	Lump sum death benefits	713
26,218		28,579

Benefits can be further analysed as follows:

2018/19 £'000		2019/20 £'000
22,368	Powys County Council (administering authority)	24,630
2,546	Scheduled bodies	2,681
1,304	Admitted bodies	1,268
26,218		28,579

Note 8: Payments to and on Account of Leavers

2018/19 £'000		2019/20 £'000
55	Refunds to members leaving service	48
2,609	Individual transfers to other schemes	2,698
2,664		2,746

Note 9: Management Expenses

2018/19 £'000		2019/20 £'000
1,019	Administration expenses	1,073
2,432	Investment management expenses (see Note 9a)	2,778
151	Oversight and governance costs	126
3,602		3,977

Note 9a: Investment Management Expenses

2018/19 £'000		2019/20 £'000
2,058	Management fees	2,461
345	Investment advice	306
29	Custody fees	11
2,432		2,778

Note 10: Investment Income

2018/19 £'000		2019/20 £'000
(25)	Interest on cash deposits	(31)
(752)	Income from bonds	(706)
(1632)	Pooled property investments	(1,624)
(3,737)	Private equity income	(3,327)
(7)	Other investment income	(2)
(6,153)		(5,690)

Note 11: Taxes on Income

2018/19 £'000		2019/20 £'000
2	Foreign tax on investment	1
2		1

Note 12: Investments

	Value as at 1 Apr 19	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	99,008	39,500	(706)	(80)	706	302	138,730
Index linked Securities	86,418	7,310	(7,109)	(99)	-	1,839	88,359
Equities (pooled funds)	318,149	79,512	(130,670)	(648)	-	(24,506)	241,837
Property (pooled funds)	62,104	1,079	(841)	(393)	588	(1,425)	61,112
Private Equity	31,779	4,954	(5,517)	(619)	3,287	6,840	40,724
Hedge Fund of Funds	49,365	7,000	(12,091)	(510)	-	(3,847)	39,917
Derivatives (Options)	-	-	-	-	5,409	7,940	13,349
Cash & Short Term Investments	5,947	31,048	(33,500)	-	-	3,582	7,077
	652,770	170,403	(190,434)	(2,349)	9,990	(9,275)	631,105

	Value as at 1 Apr 18	Purchases at Cost	Sales Proceeds	Fees included in NAV	Cash Movement	Change in Market Value	Value as at 31 Mar 19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	99,294	4,000	(4,752)	(76)	752	(210)	99,008
Index linked Securities	81,959	37,620	(38,200)	-	-	5,039	86,418
Equities (pooled funds)	291,722	95,689	(91,709)	(459)	-	22,906	318,149
Property (pooled funds)	74,542	1,151	(16,071)	(452)	522	2,412	62,104
Private Equity	28,465	4,696	(6,264)	(558)	3,695	1,745	31,779
Hedge Fund of Funds	39,599	48,600	(40,128)	(255)	-	1,549	49,365
Cash & Short Term Investments	2,746	51,600	(48,500)	-	-	101	5,947
	618,327	243,356	(245,624)	(1,800)	4,969	33,542	652,770

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Some transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees.

These transaction costs incurred in the year are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not

separately provided to the scheme. All equity investments held by the fund are in unitised funds.

The notional value of the Derivative options as at 31st March 2020 is £147m

Derivatives Summary

Investment Objective

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

Investment Policy

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

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

The manager may take both long and short positions.

Note 12a: Analysis of Investments

2018/19 £'000		2019/20 £'000
	Bonds	
99,008	UK unit trusts quoted	138,730
	Index linked securities	
86,418	UK quoted	88,359
	Equities	
13,043	UK unit trusts quoted	12,977
305,106	Overseas unit trusts quoted	228,860
	Hedge Funds	
49,365	UK	39,917
	Private Equity	
31,779	Overseas unquoted	40,724
	Derivatives	
-	Options	13,349
	Property	
61,692	UK unit trusts quoted	61,047
412	Overseas unquoted	65
121	Cash	232
5,826	Liquidity Funds	6,845
652,770		631,105

Note 12b: Investments Analysed by Fund Manager

31 Mar 19			31 Mar 20	
Market Value £'000	%		Market Value £'000	%
9,151	1.4	Aviva Investors Pensions Ltd	9,086	1.4
291,885	44.7	BlackRock Global Investors Ltd	233,290	37.0
412	0.1	CBRE Ltd	65	0.0
15,280	2.4	CFM	16,019	2.5
31,184	4.8	HarbourVest Partners LLC	40,398	6.4
13,799	2.1	Hermes Fund Managers Ltd	13,601	2.2
36,528	5.6	Hosking	-	-
104,053	15.9	Insight Investment Ltd	151,697	24.0
7,257	1.1	IPM	6,342	1.0
77,056	11.8	Link WPP	104,365	16.5
14,874	2.3	MAN	17,556	2.8
38,742	5.9	Schroders Investment Management Ltd	38,360	6.1
596	0.1	Standard Life Investments Ltd	326	0.1
11,953	1.8	Stone Milliner	-	-
652,770			631,105	

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

31 Mar 19			31 Mar 20	
Market Value £'000	%	Security	Market Value £'000	%
56,809	8.7	Blackrock Aquila Life Over 5Yr Uk Idx Lkd	58,295	9.0
41,187	6.3	Blackrock Aquila Life Currency Hedged MSCI World Index Fund	36,249	5.7
72,939	11.2	Blackrock Aquila Life Currency Hedged US Equity Index Fund	63,133	9.8
36,528	5.6	Hosking Partners	-	-
47,097	7.2	Insight Bonds Plus fund	80,530	12.5
77,056	11.8	Link WPP	104,365	16.2
38,742	5.9	Schroder UK Real Estate Fund	38,360	6.0

Note 13: Current Assets and Liabilities

2018/19 £'000		2019/20 £'000
	Current Assets	
167	Contributions due from employers and members	114
2,557	Cash balances	13,510
491	Sundry debtors	619
3,215		14,243
	Current Liabilities	
(269)	Benefits payable	(632)
(1,143)	Sundry creditors	(171)
(1,412)		(803)

Amounts unpaid at the year end are subsequently paid within a reasonable time frame, i.e. the majority of the balances are paid within a 3 month period.

Note 14: Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. Their combined contributions into the scheme totalled £20.8k in 2019/20 (£19.2k in 2018/19).

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

The Authority incurred costs of £942k in 2019/20 (2018/19: £916k) 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 £19,942k to the Fund in 2019/20 (2018/19: £18,761k) in employers contributions and deficit recovery payments.

Governance

The makeup of the Pensions and Investment Committee can be seen in Appendix 1.

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

Councillors are required to declare their interest at each meeting.

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

For the full Governance Statement please see Appendix 5.

Note 15: Additional Voluntary Contributions (AVC)

Members of the Pension Fund may make additional voluntary contributions (AVCs) in order to obtain improved benefits on retirement. The AVC investments are excluded from the Financial Statements of the Powys Pension Fund, in accordance with section 4(2)b of the Local Government Pension Scheme (Management & Investment of Funds) Regulations 2009 (SI 2009/3093). However, as administering authority we oversee the following AVC arrangements:

2019/20	Standard Life £'000	Prudential £'000	Equitable Life £'000	Total £'000
Contributions received				
Powys County Council	41	242	-	283
BBNP	-	17	-	17

	Standard Life £'000	Prudential £'000	Equitable Life £'000	Total £'000
Fund Value				
As at 31 Mar 20	872	1,173	81	2,126

Note 16: Contingent Liabilities

No contingent liabilities were known to exist at the Balance Sheet date.

Note 17. Post Balance Sheet Events

There are no known post balance sheet events.

Note 18: Capital Commitments

2018/19 £'000	Private Equity and Property mandate	2019/20 £'000
937	Standard Life (Private Equity)	962
29,920	Harbourvest (Private Equity)	26,582
30,857		27,544

The Pension Fund has committed to guaranteed investments in private equity that the asset managers can draw down upon as and when required. The Capital Commitments figure above, represents the level of investment guaranteed but not yet drawn down at the year end.

Note 19: Stock Lending

Section 12.1 of the Investment Strategy Statement (Appendix 4) sets out the fund's policy on stock lending.

Note 20: Financial Instruments

Note 20A: Classification of financial instruments & liabilities

31 Mar 2019			31 Mar 2020	
Amortised cost £'000	Fair value through profit and loss £'000		Amortised cost £'000	Fair value through profit and loss £'000
		Financial Assets		
	128,617	Fixed interest securities		138,730
	56,809	Index linked securities		88,468
	318,149	Equities (pooled funds)		245,267
	62,104	Property (pooled funds)		61,111
	31,779	Private equity		40,725
	49,365	Hedge fund of funds		39,917
		Derivatives (options)		13,350
5,947		Cash & short term investments	3,537	
3,215		Current assets	14,243	
9,162	646,823	Total financial assets	17,780	627,568
		Financial Liabilities		
(1,412)		Current liabilities	(803)	
(1,412)			(803)	

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

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

Level 1

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

Level 2

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

Level 3

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

Such instruments would include unquoted investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The private equity values are based on valuations provided by the general partners to the private equity funds in which the Powys Pension Fund has invested.

The hedge fund values are based on the net asset value provided by the fund manager.

The tables below show the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Value as at 31 Mar 20	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	371,637	165,476	93,992	631,105
Current assets	14,243	-	-	14,243
Current liabilities	(803)	-	-	(803)
Net financial assets	385,077	165,476	93,992	644,545

Value as at 31 Mar 19	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	432,466	139,160	81,144	652,770
Current assets	3,215	-	-	3,215
Current liabilities	(1,412)	-	-	(1,412)
Net financial assets	434,269	139,160	81,144	654,573

Reconciliation of Level 3 movements

Level 3 asset	Value as at 31 Mar 19 £'000	Purchases, sales & transfers £'000	Change in market value £'000	Value as at 31 Mar 20 £'000
Hedge funds	49,365	(5,091)	(4,357)	39,917
Private equity	31,779	(563)	9,509	40,725
Derivatives	-	-	13,350	13,350
Total	81,144	(5,654)	18,502	93,992

Note 21: Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2019 of the actuarial valuation of promised retirement benefits as set out in IAS 26. The actuarial present value should be calculated on an IAS 19 basis. IAS 26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the IFRS.

The actuarial present value of the promised retirement benefits were as follows

31 March 2016 £'000	31 March 2019 £'000
724,600	962,200

Assumptions used

	31 March 2016 %	31 March 2019 %
Discount rate	3.4	2.4
Inflation (CPI)	1.8	2.2
Salary increase rate	3.3	3.7

McCloud / Sargeant Judgement

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud / Sargeant Judgement of £6.99M

The McCloud / Sargeant Judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination. The Government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales, all members joined the new 2014 Scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or "better of both") promise so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme.

The remedy for the LGPS is expected to be consulted upon in the summer. The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the Scheme on 1 April 2012 and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier.

Equalisation and indexation of Guaranteed Minimum Pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose State Pension Age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within this note assumes those arrangements for

fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

Note 22: Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members.) Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification.

Other Price Risk – Sensitivity Analysis

The following movements in market price risk are considered reasonably possible for 2020/21. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

Asset Type	Value as at 31 Mar 20 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Active Equity	104,365	12.55	117,462	91,267
Passive Equity	140,902	13.88	160,459	121,345
UK Corporate Bonds	41,551	4.85	43,566	39,535
Absolute Bonds	80,530	2.69	82,696	78,364
Index Linked	88,358	10.51	97,644	79,072
Government Bonds	16,649	5.53	17,570	15,729
Property	61,111	1.91	62,278	59,944
Private Equity	40,725	10.05	44,818	36,632
Hedge Funds	39,917	4.55	41,734	38,101
Derivatives	13,350			
Cash & short term investments	3,647	0.17	3,654	3,641
Total Assets	631,105		671,881	563,630

Interest Rate Risk

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

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

Interest rates are expected to remain unchanged in the next twelve months, based on the Authorities Treasury Management advisors latest advice. The Fund's exposure to interest rate movements as at 31 March 2019 and 31 March 2020 is set out below.

As at 31 Mar 19 £'000	Asset Type	As at 31 Mar 20 £'000
5,947	Cash Instruments	3,537
2,557	Cash balances	13,510
128,617	Bonds	182,253
137,121	Total	199,300

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management, including monitoring the range of exposure to currency fluctuations.

The fund's currency exposure as at 31 March 2019 and 31 March 2020 is set out below.

As at 31 Mar 19 £'000		As at 31 Mar 20 £'000
31,779	Private equity	40,725
36,528	Equities (Pooled Funds)	-
68,307	Total	40,725

A 10% volatility associated with exchange rates is considered likely, based on analysis of historical movements.

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

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value as at 31 Mar 20 £'000	Value on Increase £'000	Value on Decrease £'000
Private equity	40,725	44,798	36,653
Total	40,725	44,798	36,653

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table below shows the funds cash holding as at 31 March 2019 and 31 March 2020.

	Rating	As at 31 Mar 19 £'000	As at 31 Mar 20 £'000
Bank Current Account			
HSBC	AA-	91	223
Bank Deposit Account			
HSBC	AA-	2,466	13,287

Liquidity risk

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2020 the value of illiquid assets was £141.8m, which represented 22.5% of the total fund assets - (31 March 2019 - £143.2m, which represented 21.9% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund's investment strategy.

All financial liabilities at 31 March 2020 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Note 23: Accounting Standards That Have Been Issued but Have Not Yet Been Adopted.

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2020 for 2020/21). None of the standards introduced in the 2020/21 code are expected to have a material impact on the financial statements.

The independent auditor's statement of the Auditor General for Wales to the members of Powys Pension Fund on the Annual Report

Proposed Audit Report

The independent auditor's report of the Auditor General for Wales to the members of Powys County Council as administering authority for Powys Pension Fund.

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Powys Pension Fund for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004. Powys Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

I draw attention to Note 3 'Critical Judgements in Applying Accounting Policies', of the financial statements, which describes the impact of material uncertainty disclosed in pension fund manager year-end valuation reports for the UK property funds they manage on behalf of the Powys Pension Fund. The Council has disclosed this material uncertainty.

My audit opinion is not modified in respect of this matter.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

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

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

- adequate accounting records have not been kept;

- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

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

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Adrian Crompton
Auditor General for Wales
23 November 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of the Actuary for the Year Ended 31 March 2020

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Powys County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £654.6M) covering 93% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 20.6% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 1.1% of pay for McCloud and cost management – see paragraph 9 below,

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 16 years from 1 April 2020, equivalent to 3.6% of pensionable pay (or £3.0M in 2020/21, and increasing by 3.6% p.a. thereafter), which together with the allowance above comprises the secondary rate.

3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

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

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

2022	21.6	3.4
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4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate *	4.1% p.a.
Rate of pay increases	3.6% p.a.
Rate of increase to pension accounts	2.1% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.1% p.a.

** In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.*

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

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

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31

March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

▪ **Increases to GMPs:**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

▪ **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.1% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.1% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to a decrease in the discount rates, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.
11. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial

valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Powys County Council, the Administering Authority of the Fund, in respect of this Statement.

12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.powyspensionfund.org/media/5318/powys-pension-fund-2019-valuation-report-v2.pdf>

Aon Hewitt Limited

May 2020

Appendix 1: Pensions and Investment Committee

Over the year the Committee met on 7 occasions, Member attendance is shown in the following table:

	21/06/2019	01/07/2019	04/10/2019	22/11/2019	12/12/2019	13/02/2020	13/03/2020	
P Lewis	✓	✓	✓	✓	✓	✓	✓	100%
EA Jones	✓	✓	✓	✓	✓	✓	✓	100%
J Morris	✓	✓			✓	✓	✓	71%
T Van-Rees	✓	✓		✓			✓	57%
H Williams	✓	✓	✓	✓	✓	✓		86%
A Davies		✓		✓	✓	✓	✓	71%
AMC Weale			✓	✓	✓		✓	57%
Attendance	71%	86%	57%	86%	86%	71%	86%	

Members of the Committee have also taken part in Pension Fund training and attended relevant seminars and conferences as detailed below:

Date/Seminar	P Lewis	E A Jones	J Morris	T Van-Rees	H Williams	A Davies	A M C Weale	
Infrastructure 18.06.19	✓							14%
Pension Fund Training Day 21.06.19	✓	✓	✓	✓	✓	✓	✓	100%
LAPF Conference 03.07.19	✓							14%
LGPS & Investments 09.10.19		✓					✓	29%
Valuation Training 04.10.19	✓	✓			✓		✓	57%
Investments Training 09.10.19		✓					✓	29%
Valuation Training Session 2 26.11.19	✓							14%
Employers AGM 12.12.19	✓							14%
Equity Protection Training 13.02.20	✓	✓	✓	✓	✓	✓	✓	100%
Wales Pension Partnership Training Event 21.02.20	✓							14%
Aon Investment Training 04.03.20					✓			14%
Low carbon Training 13.03.20	✓	✓	✓	✓		✓	✓	86%
Risk Sharing Training 13.03.20	✓	✓	✓	✓		✓	✓	86%
Attendance	77%	54%	31%	31%	31%	31%	54%	

Appendix 2: Pension Board

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

The Board has an independent Chair (who regularly attends Pensions & Investment Committee as an observer) together with two representatives each of Fund Employers and Scheme Members. The Board receives support and advice from Officers of Powys County Council and may seek advice and information from external professional advisers. During 2019/20 the membership of the Board was as follows:

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

Over the year, the Board met on 5 occasions (3 April, 10 July, 11 September, 26 November 2019 and 26 March 2020.). The March meeting was held virtually, due to the Covid-19 virus. The attendance of these meetings is as detailed in the Pension Board report.

Throughout the year, members of the Board have also taken part in Pension Fund training and attended relevant seminars and conferences as detailed below:

Date/Seminar	G Moore	W Thomas	N Brinn	J Byrne	M Hutchison	
Responsible Investment 10.07.19	✓	✓	✓		✓	80%
Cyber Crime Training September 2019	✓	✓	✓		✓	80%
Valuation Training September 2019	✓	✓	✓		✓	80%
CIPFA LGPS Seminar 03.10.19					✓	20%
Valuation Training 2 04.10.19	✓					20%
Valuation Training 2 26.11.19				✓		20%
Equity Protection 13.02.20	✓					20%
Low Carbon Training 13.03.20	✓					20%
Risk Sharing Training 13.03.20	✓					20%
Attendance	78%	33%	33%	11%	44%	

Appendix 3: Fund Employers

Powys County Council administers the scheme for employees and ex-employees of the following bodies:

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

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

Contact List and Communications

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

Pension Scheme, Fund Governance & Other Matters

Pension Fund Manager	Mr C Hurst	01597 827640
Pensions Administration Manager	Mrs M Price	01597 827642

Accounts & Investment

Pension Fund Accounts	Mr D Paley	01597 826042
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Appendix 4: Investment Strategy Statement

Introduction

- 1.1 Local Government Pension Scheme (LGPS) funds in England and Wales are required to publish an Investment Strategy Statement (ISS)¹ which must address the following:
- to ensure that asset allocation strategies are sufficiently diversified;
 - to include the authority's assessment of the suitability of asset classes;
 - to include the administering authority's approach to risk, the assessment of risks and how they are to be managed;
 - the authority's approach to the pooling of investments, including the use of collective investment vehicles and shared services;
 - the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
 - the administering authority's policy of the exercise of the rights (including voting rights) attaching to investments;
 - set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
 - review the ISS periodically and at least every three years.
- 1.2 Further, LGPS funds in England and Wales are required under Guidance from the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) to progress plans to pool the investment of assets, which will result in changes in the way that the Powys Pension Fund's (Fund's) assets will be managed moving forward.
- 1.3 Therefore, this ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.
- 1.4 A copy of this ISS will be made available on request to any interested party.

Overall Responsibility

¹ Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No.946)

- 2.1 The County Council is the designated statutory body responsible for administering the Fund on behalf of its constituent scheduled and admitted bodies.
- 2.2 Elected Members have a fiduciary duty to the Fund, Scheme members and local council taxpayers in relation to the delivery of the LGPS. Functions may be delegated to Officers but the Members retain overall responsibility for the management of the Fund and its investment strategy and individual decisions about investments. The County Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out monitoring and reviews of investment and performance. The County Council's Constitution delegates these functions to the Pensions & Investment Committee.
- 2.3 Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the Regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person.
- 2.4 The Investment Regulations permit the appointment of one or more investment managers to manage the Fund on behalf of the administering authority, provided that the investment managers are suitably qualified by their ability and practical experience of financial matters to make investment decisions for them, and to their compliance with other specific requirements of the regulations.
- 2.5 Administering authorities are required to take proper advice to enable them to fulfil their obligations, "Proper advice" is defined in the regulations as "the advice of a person who is reasonably believed to be qualified by his ability and practical experience of financial matters".
- 2.6 The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee. The Section 151 Officer and external fund advisors offer advisory support. The Committee has co-opted two non-voting members, one staff representative nominated by the Trade Unions and one representative nominated by the Outside Bodies Employers.
- 2.7 There is also a Local Pension Board which provides oversight to ensure the Fund is effectively managed.
- 2.8 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisors. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The Members of the Pension and Investment Committee will ensure they receive training as and when deemed appropriate, to enable them to evaluate critically any advice they receive.
- 2.9 The County Council has in place arrangements for the provision of specialist advice relating to actuarial matters (including the triennial valuation) and investment matters (including asset allocation and manager appointments).

2.10 The County Council has appointed independent specialists to provide actuarial and investment advice and is prepared to pay sufficient fees to attract a broad range of both kinds of providers when tendering.

2.11 The County Council will use suitable means to assess the advice received from its advisors in terms of its contribution to the decision making process.

2.12 Appropriate performance data will be included in the annual report and statement of accounts for the Fund and in the annual members' newsletter.

2.13 Investment Committee

2.13.1 Powys County Council delegates responsibility for the administering authority role to the Pensions & Investment Committee (The Committee). This includes investing the Fund's assets. The Committee is supported by the Fund Administrator and investment advisors.

2.13.2 The Committee is responsible in respect of investment matters:

- a. To determine the overall strategy relating to the investment of the Fund's assets and to meeting the Fund's liabilities.
- b. To keep under review the performance of the Fund and the Fund's managers.
- c. To approve the appointment of advisors and fund managers (unless the assets are invested in pooled arrangements in which case the latter may be delegated).
- d. To publicise the stewardship role to all Scheduled and Admitted Bodies of the Powys Pension Fund and to all contributors and beneficiaries in accordance with the Fund's Communication Strategy.
- e. The Pensions and Investment Committee regularly monitors the investment performance of the Fund in both absolute terms and against the specific benchmarks set. A review of overall or asset class specific benchmarks will be undertaken if the Pensions and Investment Committee considers it appropriate.

2.14 Investment Managers

2.14.1 Each investment manager, or subsequent manager of the Fund's investments, will be responsible for:

- a. Discretionary management of their portfolio, in accordance with the terms of their management agreement, having regard to the need for diversification of investments so far as appropriate and the suitability of investments.
- b. Providing the Committee with quarterly statements of the assets together with a quarterly report on their actions and future intentions, and any changes to the processes applied to their portfolio.

- c. Providing the designated provider with the information necessary to calculate performance statistics.
- d. Investment manager(s) are permitted to use authorised financial instruments in appropriate circumstances following prior discussion and approval. Approval will not be withheld without clear justification.
- e. The investment manager(s) are required to produce a quarterly investment report and to attend Pension and Investment Committee meetings as appropriate.
- f. The County Council requires the investment manager(s) to provide details of the commission payments they receive on asset transactions (including soft commissions if applicable) and how they assess their overall trading efficiency. By discussing these matters with the investment manager(s), the County Council seeks to gain a full understanding of the transaction-related costs that the Fund incurs, and to understand the options open to the County Council in relation to those costs.

2.15 Investment Consultant

2.15.1 The Investment Consultant will be responsible for providing prompt, consistent and competent advice and support through one or two named representatives, in respect of investment matters when so requested by the Committee. Advice and support is likely to be sought in regard of:

- a. Review of the Investment Strategy Statement.
- b. Presentation and interpretation of investment performance measurement results.
- c. The Potential impact of:
 - any changes in the investment managers' organisations that could affect the interests of the Fund;
 - any changes in the investment environment that could present either opportunities or problems for the Fund.
- d. Investment manager selection, retention and termination (until such time as the investment pool takes over such responsibilities);
- e. Benchmark adjustments;
- f. The appropriate content of investment management and other related Agreements;
- g. Appropriate investment structures for the Fund in the light of the Fund's liability profile. This will involve working with the Fund's Actuary and, in time, discussion with the investment pool.
- h. Ad-hoc project work as required.
- g. The independent investment advisor who attends each Pensions and Investment Committee meeting is required to produce a separate report on investment performance quarterly.

2.16 Pensions Board

2.16.1 The role of the board is to assist the Powys County Council pension fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed.

2.16.2 The board members work with the Council in its role as an administering authority and with the pension fund's officers to ensure that your pension scheme is being run properly.

2.16.3 To comply with requirements imposed by regulations including those which are enforced by the Pensions Regulator, the members of the local pension board are required to maintain their knowledge and understanding of the LGPS and pensions in general, so receive appropriate training.

Investment Objectives

3.1 The long term investment objectives of the Fund are to:

- maximise investment returns over the long term within an acceptable level of risk;
- ensure that sufficient assets are readily available to meet liabilities as they fall due;
- aim for long-term stability in the employers' contribution rates;
- achieve and maintain funding levels at, or close to, 100% of the Fund's liabilities.

3.2 Risk is mainly concerned with the possibility of a deficiency in the Fund or a substantial increase, or volatility, in future employer contribution rates.

3.3 Whilst stability of the employers' rate has a high priority, absolute cost to the employer is also important. This implies that:

- the cost of administering the Fund will be constrained by the adoption of best management practice;
- employers will adopt appropriate policies in those areas where they have discretion and where costs of their actions fall on the Fund;
- the Fund will, as far as is practicable, and through the Fund's Actuary, avoid cross subsidisation between the Fund's individual employers;
- the Fund's overall investment policy will be aimed at superior investment returns relative to the growth of liabilities. This implies that the Fund will take a controlled active risk relative to its liability profile.

The Balance Between Different Types of Investments

- 4.1 The County Council seeks to achieve its investment objectives through investing in a suitable mixture of real and monetary assets. A mixture across the asset classes should provide the level of returns required by the Fund to meet its liabilities at an acceptable level of risk and at an acceptable level of cost.
- 4.2 The target strategic asset allocation is 36% risk reducing (matching assets) and 64% return seeking. This strategy was determined with the aid of our Investment Advisors in order to ensure the balance between expected return and risk is appropriate and the expected return is sufficient. In addition the split between potential asset classes has been set to ensure there isn't excessive exposure to any particular asset class or specific risk such as equities or credit risk.
- 4.3 To ensure that asset allocation is sufficiently diversified the Fund's investment strategy has been set using modelling techniques that cover all mainstream asset classes including those most likely to be available through the pooling arrangements available to the Wales Pension Partnership.
- 4.4 The current strategic benchmark is as follows:

Asset Class	%	Maximum %	Benchmark Index
Bonds	36	45	
Corporate Bonds	4		iBoxx Sterling Non-Gilts All Maturities
Index-Linked Gilts	8		FTSE UK Index-Linked over 5 years
Gilts	3		FTSE UK Gilts All Stock
Absolute Return Bonds	12		3 Month GBP LIBOR
Multi Asset Credit	9		3 Month GBP LIBOR
Equities*	39	48	
Active	18.5		MSCI All Countries World (NDR)
Passive	20.5		FTSE Developed World
Property	10	15	IPD Index
Private Equity	5	10	MSCI AC World ex UK
Hedge Funds	10	15	3 Month GBP LIBOR
Total	100		

*50% of currency risk from overseas equities is hedged back to Sterling. An equity protection strategy has been implemented to cover the currency hedged overseas equities. More information can be found in section 5.6.

- 4.5 There is also an agreement to invest up to 10% of assets into Infrastructure when suitable opportunities for investment are available.
- 4.6 The actual asset allocation will be periodically reviewed with a view to maintaining the overall asset allocation in line with the table above. It is recognised that the actual allocation may therefore drift outside of the control ranges above between periodic reviews and rebalancing.

4.7 In reaching its decisions on asset allocation the County Council will:

- take proper advice from specialist, independent advisors and give consideration to the desirability of receiving advice based on an asset / liability study.
- consider the volatility of returns which it is prepared to accept.
- determine the split between risk reducing (matching assets) and return seeking assets before it gives consideration to any other asset class.
- have due regard to the diversification and suitability of investments.

Approach to risk, the assessment of risks and how they are managed

5.1 The Committee recognises that risk is inherent in any investment activity and it seeks to manage the level of risk that it takes in an appropriate manner.

5.2 The main risk arising from the investment strategy will be a fall in the value of the investments relative to the value of the liabilities, potentially leading to higher contributions being required from the County Council and other employers within the Fund.

5.3 Other risks include but are not limited to risks such as not having enough liquidity to meet cash requirements and third parties defaulting on contracts.

5.4 The operational risk to the Fund is minimised by:

- the use of a regulated, external, third party, professional custodian for custody of assets.
- having formal contractual arrangements with investment managers.
- having access to the internal audit service of Powys County Council.
- the activities of the investment manager(s) being governed by detailed Investment Management Agreements. Investment managers are expected to have regards to these principles and legislative requirements, in particular the LGPS (Management and Investment of Funds) Regulations 2016 (SI 2016 No.946).
- having formal agreements in place with admitted bodies.

5.5 The investment risks to the Fund are managed by: diversification of types of investment.

- diversification of investment manager(s).
- the setting of a Fund-specific benchmark informed by asset-liability modelling of liabilities.
- the appointment of independent professional advisors.

- the appointed expert investment manager(s) being given clear performance benchmarks and maximum accountability for performance against those benchmarks over appropriate time-scales.
- investment manager(s) being required to implement appropriate risk management measures and to operate in such a manner that will ensure the likelihood of not achieving the performance target is kept within defined acceptable limits.
- the implementation of temporary protection strategies where appropriate.

5.6 The Fund has a 39% target allocation to equities, which poses a significant risk to the investment returns. An equity protection strategy was put in place in 2019 as market risks are considered to be elevated. The strategy protects the passively managed, currency hedged global equities. The protection uses zero premium collars so no premium is paid in setting up the contracts. The objective of the equity protection strategy is to protect the value of part of the Fund's equities in order to reduce the overall risk while still retaining some of the upside available from equity markets. The protection is reviewed on an annual basis and continued if the Committee think it remains suitable.

The expected return on investments

- 6.1 The wider strategy has been set to target 5.1% pa over the long term with a volatility of 9.7% pa. This is based on assumptions at 30 September 2019 and will be subject to change depending on changes in market conditions.
- 6.2 The investment manager(s) have been given specific performance targets measured against the index return in the relevant asset class. The County Council recognises that these targets will not be met in all periods under consideration, but expects that they will be met in the vast majority of periods under consideration.
- 6.3 The performance targets for the investment manager(s) are shown in the table overleaf:

Investment Manager	Mandate	Benchmark	Objective
<u>Link (WPP)</u>	<u>Global Equity</u>	MSCI AC World (NDR)	To achieve long-term capital appreciation and outperform the benchmark by 2% p.a. gross of fees
BlackRock	Balanced	Composite benchmark	To track the benchmark
Aviva Investors	UK Property	IPD/PPFI All Balanced Funds Medium Index	To outperform the benchmark by 1% p.a. over rolling 3 year periods.
Hermes Fund Managers	UK Property	IPD Other Balanced Funds Index	To outperform the benchmark by 0.5% p.a. on a rolling three year basis
Schroders	UK Property	IPD UK All Balanced Funds Index	To outperform the benchmark by 0.5% p.a. on a rolling three year basis
CB Richard Ellis	European Property	UK Retails Price Index (The IPD UK Pooled Property Index will also be used for comparison purposes)	Provide investors with a return of 8-10% p.a., net of fees and expenses.
Link (WPP)	Multi Asset Credit	3 month GBP LIBOR	To outperform the benchmark by 4% p.a.
Link (WPP)	Absolute Return Bonds	3 month GBP LIBOR	To outperform the benchmark by 2-3%
Insight Asset Management	Index-Linked Gilts	N/A	Collateral for equity protection strategy
Standard Life Investment	Private Equity (European)	MSCI World	To outperform the benchmark by 5% pa over a rolling three year period.
HarbourVest Partners	Private Equity (US)	MSCI World	No stated objective, just to produce returns which place HarbourVest in the top quartile in the industry
Man Group	Alternative Risk Premia	3 Month GBP LIBOR	To provide returns in a cost effective manner by allocating capital to affiliated portfolio managers through funds that implement risk premia investment strategies with a volatility target of 8% p.a.
Capital Fund Management	Alternative Risk Premia	3 Month GBP LIBOR	To achieve long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes with a volatility target of 6% p.a..
Graham	Diversified Macro Hedge Fund	3 Month GBP LIBOR	To generate returns with an attractive risk return profile and a target volatility of 10-12%
Informed Portfolio Management	Systematic Macro Hedge Fund	3 Month GBP LIBOR	To seek to preserve capital and generate consistent absolute returns with a targeted level of volatility of 15% p.a.

- 6.4 The investment manager(s) benchmarks are based on market indices. The indices used were considered in consultation with the investment advisor and the investment manager(s) and carefully chosen with regard to their strategic suitability. The limits on the levels of divergence from these indices set out in the investment mandates were chosen with regard to the investment manager(s) overall performance objectives.

The realisation of investments

- 7.1 General investment principles require that issues of liquidity and marketability be considered in making any investment decision. The Fund is currently paying out more than it receives in contributions meaning the assets need to cover any shortfall. Where possible assets are held in income producing investments. This helps increase cash available to meet outgoings. Also the majority of assets are invested in funds with good liquidity which can be used to meet any outstanding cashflow requirements.
- 7.2 The vast majority of the Fund's assets are readily marketable. However some investments, such as property, hedge funds, and private equity, are less easy to realise in a timely manner. This relative illiquidity is not considered to have any significant adverse consequences for the fund, and may generate an investment return 'illiquidity premium'.
- 7.3 The County Council would inform the investment manager(s) of any projected need to withdraw funds in order to enable the investment manager(s) to plan an orderly realisation of assets if this proves necessary.

Pooling

- 8.1 The County Council will aim for all assets to be managed under pooled arrangements through the Wales Pensions Partnership investment pool.
- 8.2 Investment opportunities outside the pooling arrangements will be considered if they are not already or likely to be available through the Wales Pension Partnership investment pool, and there are suitable resources to invest in and monitor the investment. These can include contracts related to financial futures or insurance. Appropriate advice will be sought on alternative asset classes when setting the strategy and as opportunities arise.
- 8.2 Suitable asset classes include those available through the pooling arrangements as well as any asset class where the Pensions and Investment Committee have resource to understand and monitor the investment. This may include illiquid investments and other asset classes that offer improved risk and return expectations.

Socially Responsible Investment

- 9.1 The County Council has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s).
- 9.2 Where appropriate the County Council monitors the manager's policy on social, environmental or ethical considerations in the selection, retention and realisation of investments. It does this through the reporting provided by the investment consultant and Wales Pensions Partnership investment pool operator.
- 9.3 The County Council expects that the investment manager(s) in the exercise of their delegated duties will take the extent to which social, environmental or ethical issues may have a financial impact on the portfolio into account.

The exercise of the rights attaching to investments

- 10.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Investment manager(s) who exercise its voting rights. Votes are cast by proxy. Investment manager(s) provide reports when any voting rights are exercised. Only direct investments in traded equity shares carry such voting rights.

Corporate Governance

- 11.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. Votes are cast by proxy. Each investment manager is required to report its actions on a quarterly basis.
- 11.2 The County Council is aware of the UK Stewardship code and understands that, within the LGPS 2016 Investment Regulations, there is a requirement that administering authorities should formally become signatories to the Code.
- 11.3 Whilst not having formally signed up to the Code, the Fund aims to abide by the principles and recognises the importance of the investments being managed in accordance within these principles. The Fund, therefore, ensures that where appropriate its investment managers are themselves signed up to the code and thus manage the investments in accordance with the twelve principles of the code.
- 11.4 The Fund does already act on some of the principles of the UK Stewardship Code at a Fund level, one being via its membership of the Local Authority Pension Fund Forum (LAPFF), a collection organisation of LGPS who engage fund managers and investee companies to promote responsible investor/ownership practices.
- 11.5 In addition to the requirement to become a signatory in its own right, the Fund will also expect both the Wales Pension Partnership and any directly appointed fund managers, to comply with the UK Stewardship Code.
- 11.6 The principles of the UK Stewardship code are included in Appendix A for information.
- 11.7 In addition to the above the Fund is a member of the Local Authority Pension Fund Forum which helps ensure governance is in line with current best practice.

Monitoring and Implementing of Investment Policy

- 12.1 The Committee will meet on a quarterly basis with the Investment Advisors to review and discuss the operation of each investment manager's portfolio, including past and future policy decisions. The performance of the investment manager(s) will be monitored by the Committee on a quarterly basis at the Investment Committee meetings.
- 12.2 The Committee, in conjunction with the Investment Consultant, will review the allocation of assets between the passive and specialist portfolios, property and other asset classes.
- 12.3 The appointments of the investment manager(s) will be subject to review at the meeting held to consider the performance results from the designated provider. The review will be based on the monitoring of the Investment manager(s) processes as well as their performance.
- 12.4 The investment manager(s) appointments, whilst subject to annual monitoring, would generally be reviewed over rolling 3 year periods, in line with their performance benchmarks.
- 12.5 If an investment manager(s) performance prompts concerns then the Committee may ask the manager(s) to come to a meeting for a special review meeting.
- 12.6 The Committee will assess, on an ongoing basis, the impact that investment through the Wales Pension Partnership has on monitoring and implementing of investment policy.

Principles for Institutional Investment Decision Making

Compliance with CIPFA Principles for Investment Decision Making in LGPS

Principle 1 – Effective Decision Making

Administering authorities should ensure that:

- Decisions are taken by persons or organizations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation, and
- Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Powys County Council is the Administering Authority with overall responsibility for Powys Pension Fund (PPF), which it delegates to its Pensions & Investment Committee and the Section 151 Officer. This Committee consists of 6 voting members; 1 non-voting member representing Pension Fund employers (elected by those Pension Fund employers); and, 1 non-voting member representing pension scheme members (nominated by the recognised trade unions).

The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund. In addition the, the administering authority is assisted by the Powys Pensions Board which was established under the Public Service Pensions Act 2013.

Members of the Pensions & Investment Committee are required to undertake training and demonstrate competency in accordance with the Knowledge & Skills Framework Policy. The Committee receives what it considers to be proper advice from Fund officers and, in addition, has appointed an external consultant to provide advice on its investment strategy.

The Investment Advisor and Actuary have contracts which are regularly reviewed. The Investment Advisor was tendered in 2016/17, actuarial services are scheduled for 2020/21.

Principle 2 – Clear Objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisors and investment managers.

The Fund's objectives are set out in the Investment Strategy Statement (ISS) and Funding Strategy Statement (FSS). Both documents are available on the Fund's website. The aims of the Fund in relation to the FSS are set out in 2.2 of that document. To view the Fund's Investment objectives view 3 Investment Objective in the ISS.

The approach to risk, the assessment of risks and how they are managed are stated in section 5 of the ISS.

The Fund, in accordance with regulatory requirements, has an objective of keeping the employers' contribution rate as level as possible while maintaining its solvency. The investment manager(s) have been given specific performance targets measured. These are displayed in section 6 of the ISS.

The Fund monitors each of the participating LGPS employers and admitted bodies.

Principle 3 – Risk and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members.) Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pensions & Investment Committee.

The Triennial Valuation exercise looks in detail at each participating employer's liability and is used to inform the setting of employers' contribution rates, as well as informing the investment strategy and objectives of the Fund.

The strength of the covenant of participating employers is also considered as part of the exercise establishing contribution rates.

A risk register is monitored monthly and maintained. Pensions and Investment Committee review the Risk Register every 12 months.

Regular internal audit on the adequacy and effectiveness of risk management and internal control is undertaken and outcomes reported to the Pensions & Investment Committee and Pension Board.

The Annual Report and Accounts of the Powys Pension Fund are subject to a separate external audit and an independent audit opinion is given.

Within the FSS, point 6 Key Risks and Controls, summarises the risks and controls under the following headings, investment, solvency, liability, regulatory, employer.

Principle 4 – Performance Assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Advisors provide buy – qualified – sell – quarterly ratings on current managers to the Committee.

Investment Managers are measured against their targets shown in the ISS. The Fund's advisors report formally on a quarterly basis to the Pensions and Investment Committee their ratings of the incumbent managers. Significant developments between meetings are also communicated by the advisors.

Investment Managers are invited to attend the Pensions and Investment Committee at behest of the Committee.

The Fund maintains a Governance Statement which is available from the Fund's website.

Pensions & Investment Committee attendance and training is monitored and reviewed on a quarterly basis.

Advisors are selected competitively, based on performance, price and other factors.

All active and deferred scheme members receive the 'Your Pension' publication along with their Annual Benefit Statements which includes information on the Fund's activity and a summary of the accounts; all retired members receive an annual newsletter with information on Fund developments and a summary of the accounts.

The Fund produces a detailed annual report covering all aspects of its performance which is published on the website.

Principle 5 – Responsible Ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

The Fund's Socially Responsible Investment intention is laid out in section 9 of the ISS. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which considers responsible investment on a collaborative basis.

Principle 6 – Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including

performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.

Details of the Fund's Communications Policy and all other key reports – ISS, Annual Report, FSS and Governance Policy Statement are all published on the Fund's website. A newsletter is also published periodically. There is employer and employee representation on the Committee ensuring transparency.

The Fund actively manages risks. Pensions & Investment Committee reviews the risk register on a regular basis.

Pensions & Investment Committee meetings are open to the public. Agendas, papers and minutes are available on Powys County Councils website.

<u>Principle</u>	<u>Compliance</u>
Effective Decision Making	The Fund considers that its practices are compliant with the CIPFA principles
Clear objectives	The Fund considers that its practices are compliant with the CIPFA principles
Risk and Liabilities	The Fund considers that its practices are compliant with the CIPFA principles
Performance Assessment	The Fund considers that its practices are compliant with the CIPFA principles
Responsible Ownership	The Fund considers that its practices are compliant with the CIPFA principles
Transparency and Reporting	The Fund considers that its practices are compliant with the CIPFA principles

Principles of the UK Stewardship Code

1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society..
2. Signatories' governance, resources and incentives support stewardship.
3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.
6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Signatories monitor and hold to account managers and/or service providers.
9. Signatories engage with issuers to maintain or enhance the value of assets.
10. Signatories, where necessary, participate in collaborative engagement to influence issuers.
11. Signatories, where necessary, escalate stewardship activities to influence issuers.
12. Signatories actively exercise their rights and responsibilities.

Appendix 5: Governance Statement

Governance Policy Statement for the Powys County Council Pension Fund

1. Constitutional Arrangements.

- 1.1 The Powys Pension Fund is a local government pension fund. The primary legal frameworks are the Superannuation Act 1972 and the Public Service Pensions Act 2013, with operational matters being set out in regulations made thereunder.
- 1.2 Powys County Council is the administering authority for the Powys Pension Fund. The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund. In addition, the administering authority is assisted by the Powys Pensions Board which was established under the Public Service Pensions Act 2013.

2. Scheme of Delegation.

- 2.1 Powys County Council delegates its functions in relation to maintaining the Pension Fund to the Pensions & Investment Committee and the Section 151 Officer, in accordance with Appendices A and B to this Statement.
- 2.2 Day-to-day decisions in respect of the management of the Pension Fund and investment decisions that are required to be taken before the next Committee, are delegated to the Section 151 Officer, in consultation with the Chair and Vice Chair of Pensions & Investment Committee.
- 2.3.1 Powys County Council will appoint the voting members of the Pensions & Investment Committee. The Committee will consist of 6 voting members (1 of which will be the Portfolio Holder for Finance); 1 non-voting member representing Pension Fund employers (elected by those Pension Fund employers); and, 1 non-voting member representing pension scheme members (nominated by the recognised trade unions).
- 2.3.2 The Pensions & Investment Committee will meet quarterly with special meetings and training workshops as necessary.
- 2.3.3 The Pensions & Investment Committee will be advised by the Council's Section 151 Officer, the Pension Fund's Investment Adviser (currently Aon Hewitt) and the Pension Fund's Actuary (currently Aon Hewitt).
- 2.3.4 Members of the Pensions & Investment Committee will be required to undertake training and demonstrate competency in accordance with the Knowledge & Skills Framework Policy (Appendix C).
- 2.3.5 The minutes of the Pensions & Investment Committee will be reported to the County Council.

(cont.)

3. Powys Pensions Board.

- 3.1 Powys County Council established a local pension board on 21st January 2015 in accordance with the requirements of the Public Service Pensions Act 2013.
- 3.2 Powys County Council will appoint the independent chair of the Pensions Board. The Board will consist of 4 voting members in addition to the independent chair; 2 members representing Pension Fund employers (nominated by those Pension Fund employers); and, 2 members representing pension scheme members (nominated by the recognised trade unions).
- 3.3 The Pensions Board will meet quarterly (after each meeting of the Pensions & Investment Committee), with special meetings and training workshops as necessary. Pension Board meetings are open to the public.
- 3.4 The Pensions Board will be advised by the Section 151 Officer and any other Council Officers and professional Advisers and Consultants, as may be required.
- 3.5 Members of the Pensions Board will be required to undertake training and demonstrate competency in accordance with the Knowledge & Skills Framework Policy (Appendix C).
- 3.6 The minutes of the Pensions Board will be reported to the Pensions & Investment Committee and published on the Pension Fund's website.

4. Consultation

- 4.1 The Pensions & Investment Committee will engage with stakeholders (including Pension Fund employers and trade unions) through the following:
 - An annual general meeting for the main stakeholders.
 - A triennial meeting between Pension Fund employers and the actuary to discuss the results of the actuarial valuation.

5. Review of this Statement

- 5.1 In accordance with the requirements of regulation 55(2) of the Local Government Pension Scheme Regulations 2013 (as amended), this Statement will be reviewed and published by Powys Pension Fund following any material changes.

6. Contacts

- 6.1 Any questions, queries or observations on this Statement should be addressed to:

Chris Hurst
Pension Fund Manager
Powys County Council,
County Hall,
Llandrindod Wells,
Powys
LD1 5LG

- 6.2 Further information about the Powys Pension Fund and the Local Government Pension Scheme, can be found on the Fund's website: www.powyspensionfund.org

Appendix A Functions Delegated to Pensions & Investment Committee

Pension Administration Functions

To appoint the Pension Fund's Actuary;

To receive the triennial actuarial valuation and such other valuations that may arise from time to time and set employers' contribution rates arising therefrom.

To monitor and review the overall arrangements for the administration of the Local Government Pension Scheme (LGPS).

To respond to consultations in respect of the LGPS.

To undertake the following functions of the LGPS:

- To act as Scheme Trustees in relation to the Powys County Council Additional Voluntary Contributions (AVC) Scheme
- To exercise the discretionary powers available to an administering authority under the provisions of the LGPS regulations
- To develop, publish and review policies as required by the LGPS regulations.

Investment Functions

To determine long-term investment policy.

To approve the Council's Funding Strategy Statement and Statement of Investment Principles (this latter document is replaced from 1st April 2017 by the Investment Strategy Statement).

To review the Pension Fund's investment structure at least triennially, having regard to the Fund's liabilities and the advice of the Fund's Investment Adviser and the Section 151 Officer.

To appoint and dismiss investment managers, consultants and advisers.

To review investment performance at least once every 3 months.

To appoint the Fund's custodian for its assets and to periodically review custody arrangements.

To appoint the Performance Measurement Service for the Fund.

General

To approve the annual business plan.

To receive the annual accounts of the Pension Fund and any external audit comments related thereto;

To approve the Pension Fund Annual Report.

To receive internal audit reports on Pension Fund matters.

Appendix B Functions Delegated to Section 151 Officer

Pension Administration Functions

To manage the administration of LGPS.

To undertake the following functions of the LGPS:

- Award of Death Grants in accordance with the Council's agreed policy.
- Ensure compliance with the Pensions Act 1995
- Ensure compliance with relevant Finance Acts, in particular the meeting of HMRC Reporting Requirements
- Ensure compliance with the Public Service Pensions Act 2013.
- Ensure compliance with the statutory requirements imposed by The Pensions Regulator.

Investment Functions

To undertake regular monitoring and reconciliation of investments and to report matters of significance to the Pensions & Investment Committee.

To undertake tendering exercises for Fund services and Investment Managers in accordance with the Council's overall governance arrangements and the Pensions & Investment Committee's instructions and to present the Committee with shortlists for appointment.

General

To produce the Fund's Annual Report & Accounts in accordance with proper practice.

To authorise, within limits, expenditure from the Fund.

To authorise cash or asset movements between the Council, the Fund, custodian and investment managers.

When necessary, the exercise of the Fund's voting rights by instruction to the investment managers and custodian, after consultation with the Chairman and Vice-Chairman of the Pensions & Investment Committee. The Pensions & Investment Committee has delegated the use of the voting rights attached to its shareholdings to the investment managers but retains a right to exercise those rights on its own account in exceptional circumstances.

The Section 151 Officer may authorise Officers in their service to exercise, on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Section 151 Officer and must be taken in his name and he shall remain accountable and responsible for such decisions.

Appendix C

Knowledge and Skills Framework Policy

1 Introduction

1.1 This document sets out the policy of the Powys Pension Fund in relation to the knowledge and skills requirements that it places upon those serving as members of either:

- The Powys County Council Pensions & Investment Committee (being the principal decision-making and management body for the Powys Pension Fund), or
- The Powys Pension Board

1.2 Commitment to this policy is an obligation placed upon those concerned as part of the discharge of their duties; as a matter of best practice and good governance.

2 Knowledge and Skills Framework

2.1 The Powys Pension Fund has adopted the CIPFA Knowledge and Skills Framework, as set out in the Code of Practice on pensions, in partnership with the Pensions Regulator. The Framework provides a roadmap to the knowledge and skills that should be held by those involved in the management and governance of the Powys Pension Fund, who are not themselves pension professionals. Whilst the Regulator provides access to relevant study and training materials.

2.2 All relevant Members will be assessed against the criteria set out in the Framework, as soon as possible following their appointment. This will be done by the completion of a Member Training Needs Self-Assessment Form.

2.3 On completion of the self-assessment form, the Section 151 Officer will assess the Member against the Framework criteria and determined what training is required to be completed and within what time period.

2.4 In total there are 6 areas of knowledge and skills that CIPFA have identified as the core technical requirements:

- pensions legislative and governance context
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and products knowledge
- actuarial methods, statements and practices.

3 Meeting Knowledge and Skills Needs

3.1 Identified knowledge and skills needs may be met by a variety of methods that will include, but are not restricted to:

- completion of specific modules in the e-Learning Public Service toolkit provided free online by the Pensions Regulator
- attendance at external training events for pension trustees and/or board members
- attendance at internal training events facilitated by Powys Pension Fund or Powys County Council
- attendance at pension conferences, seminars and workshops that cover fund investment, scheme administration, fund governance, actuarial matters or other relevant areas.

4 Continuing Development

4.1 Pension fund matters do not stand still. Therefore, there will be a requirement to undertake continual development to remain up to date with general pensions and LGPS specific issues. The requirement is for all relevant Members, regardless of professional background, to undertake a minimum of 4 days continuing development in each scheme year (ending 31st March).

4.2 Completion of this requirement may be achieved by a range of attendances at, for example, LGPS Trustees Conference or LAPFF seminars.

5 Accountability and Transparency

5.1 Accountability and transparency are principles of good governance and best practice. Therefore, knowledge and skills needs, training and development undertaken and continuing development, will be monitored and recorded and published annually.

5.2 Failure by a Member to meet their obligations under this policy, may result in them being barred from serving on either the Pensions & Investment Committee or the Powys Pension Board, as applicable, and as determined by the Section 151 Officer.

Appendix D Governance Compliance Statement

Principle A – Structure

	Level of Compliance	
	Non*	Full
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.		✓
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.		✓
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.		
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.		
* Reason for non-compliance: None		
Notes and explanations on the ratings given above:		
c) There is no secondary Committee.		
d) There is no secondary Committee.		

Principle B – Representation

	Level of Compliance	
	Non*	Full
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These Include:		
e) Fund employers		✓
f) Scheme members		✓
g) Independent professional observers (where appropriate)	✓	
h) Expert advisers	✓	
i) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.		✓
* Reason for non-compliance:		
g) & h) These are not considered to be appropriate nor statutory requirements. However, professional expert advisers to the Pension Fund whilst not members, attend Pensions & Investment Committee.		
Notes and explanations on the ratings given above:		

Principle C – Selection and role of lay members

	Level of Compliance	
	Non*	Full
j) That committee members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.		✓
k) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.		✓
* Reason for non-compliance: None		
Notes and explanations on the ratings given above: None		

Principle D – Voting

	Level of Compliance	
	Non*	Full
l) The policy on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.		✓
* Reason for non-compliance: None		
Notes and explanations on the ratings given above: There are no voting rights for either the employer or member representative on the Fund's Pensions & Investment Committee. Powys County Council takes the view that it is inappropriate for members of the Pensions & Investment Committee who are not elected members of the County Council to have decision-making powers in respect of a function for which the County Council, as the administering authority, is responsible.		

Principle E – Training / Facility Time / Expenses

	Level of Compliance	
	Non*	Full
m) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.		✓
n) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.		✓
o) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.		✓
* Reason for non-compliance: None		
Notes and explanations on the ratings given above: None		

Principle F – Meetings (Frequency / Quorum)

	Level of Compliance	
	Non*	Full
p) That an administering authority's main committee or committees meet at least quarterly.		✓
q) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.		
r) That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.		
* Reason for non-compliance: None		
Notes and explanations on the ratings given above: q) There is no secondary committee. r) Such interests are represented on the Pensions & Investment Committee.		

Principle G – Access

	Level of Compliance	
	Non*	Full
s) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.		✓
* Reason for non-compliance: None		
Notes and explanations on the ratings given above: None		

Principle H – Scope

	Level of Compliance	
	Non*	Full
t) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.		✓
* Reason for non-compliance: None		
Notes and explanations on the ratings given above: None		

Principle I – Publicity

	Level of Compliance	
	Non*	Full
u) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.		✓
* Reason for non-compliance: None		
Notes and explanations on the ratings given above: None		

Appendix 6: Funding Strategy Statement

1. Introduction

This is the Funding Strategy Statement (FSS) of the Powys County Council Pension Fund.

It has been prepared by the Administering Authority in collaboration with the Fund Actuary, Aon Hewitt Limited, and after consultation with officers, elected members, the Fund's employers and investment advisors and is effective from the date of issue of this statement. A single strategy is produced for the Pension Fund. The FSS compliments the triennial Actuarial Valuation and the Statement of Investment Principles or Investment Strategy Statement as follows:

Actuary's Valuation Report	Defines what employer contributions should be made to meet current and future pension payments.
Funding Strategy Statement (FSS)	States how solvency and risk will be managed in relation to liabilities.
Statement of Investment Principles (SIP) or Investment Strategy Statement (ISS)	How and where the fund will be invested and managed.

1.1 Regulatory Framework

This statement, originally prepared in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997, has been reviewed in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) (the LGPS 2013 Regulations) and the Local Government Pension Scheme (Investment and Management of Funds) Regulations 2016 (the Investment Regulations).

As required by Regulation 58(4) of the LGPS 2013 Regulations, the Statement has been prepared having regard to guidance published by CIPFA in October 2012. The Statement also has regard to updated guidance published by CIPFA in September 2016.

Members' benefits and contributions are also set out in the LGPS 2013 Regulations. The members' contributions do not cover the full cost of benefits and the shortfall or liability is met by the participating employers within the fund. The FSS sets out how this liability will be funded in the long term.

(cont.)

1.2 Purpose of this Funding Strategy Statement

The main purpose of the FSS is to document the processes by which the Administering Authority:

- establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- supports the regulatory framework to maintain as nearly constant primary contribution rates as possible;
- enable overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks and ensuring that the regulatory requirements are met) at reasonable cost to the taxpayers, scheduled, designating, and admitted bodies
- ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met
- takes a prudent longer-term view of funding the Fund's liabilities.

These objectives are desirable individually, but may be mutually conflicting. This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis. The focus of the FSS is on those actions which are in the best long term interests of the Fund.

1.3 Reviews of FSS

The FSS will be reviewed in detail at least every three years in line with triennial valuations being carried out. It will be circulated to employers prior to the completion of each valuation. It will only need to be updated in between valuations if there has been material change. Small updates can be attached to the original approved.

1.4 Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice.

The Authority has produced this FSS having taken an overall view of the level of risk inherent in the investment policy set out in the Statement of Investment Principles (SIP) or Investment Strategy Statement (ISS) published under Regulation 7 of the Investment Regulations and the funding policy set out in this Statement. The Administering Authority will continue to review both documents to ensure that the overall risk profile remains appropriate including, where appropriate, asset liability modelling or other analysis techniques.

2. Purpose and Aims of the Fund

2.1 Purpose of the Fund

The purpose of the Fund is to invest monies in respect of contributions, transfer values and investment income to produce a Fund to pay the Scheme benefits over the long term and in doing so smooth out the contributions required from employers over the long term.

2.2 Aims of the Fund

The aims of the Fund in relation to the Funding Strategy include:

- to ensure the long-term solvency of the Fund. The Fund Solvency should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to maximise the returns from investments within reasonable risk parameters;
- to manage employers liabilities effectively through regular review of contributions and additional contributions for early retirement;
- to try to maintain stability of employer contributions, and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies.

3. Responsibilities of Key Parties

The LGPS Regulations set out the responsibilities of the key parties and are summarised below.

3.1 The Administering Authority should:-

- administer the Fund
- collect investment income and other amounts due to the Fund including employer and employee contributions and exit payments from employers whose participation in the Fund has ceased. The administering authority will ensure all individual employers are aware that they must pay contributions in accordance with Regulations 67 to 71 of the LGPS 2013 Regulations;
- invest surplus monies in accordance with the regulations;
- pay from the Fund the relevant entitlements as set out in the LGPS 2013 Regulations
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain a FSS and a SIP/ISS, both after proper consultation with interested parties;
- monitor all aspects of the fund's performance and funding and amend the FSS/ISS as necessary;
- effectively manage any potential conflicts of interest arising from its dual role as both Administering Authority and as a Scheme Employer.
- Enable the local Pension Board to review the valuation process as set out in their terms of reference.

3.2 Individual Employers should:-

- deduct contributions from employees' pay correctly;
- pay both ongoing members' and employer's contributions (both percentage of pay and monetary shortfall recovery contributions which are due) as determined by the Fund's actuary, promptly by the 19th day of the month. Unless an agreed arrangement is in place, late payments will incur interest of 1% above base rate.
- develop a policy on certain discretions and exercise discretions within the regulatory framework, ensuring that the Administering Authority has copies of current policies covering those discretions;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain;
- notify the administering authority promptly of all changes to membership or, as maybe proposed, which affect future funding;
- noting and if desired responding to any consultation regarding the FSS, the SIP/ISS, or other policies;
- pay any exit payments required in the event of their ceasing participation in the Fund.

3.3 The Fund Actuary should:-

- prepare valuations including the setting of employers' contribution rates at a level to ensure solvency and long term cost efficiency after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters, on exit valuations on cessation of admission agreements or when an employer ceases to employ any active members, and in connection with bonds and other forms of security against employers default.

Such advice will take account of the funding position and FSS, as well as other relevant matters when instructed to do so.

The Fund Actuary will assist the Administering Authority in assessing whether employer contributions need to be revised between actuarial valuations as required or permitted by the Regulations.

The Fund Actuary will ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Administering Authority.

4 Funding Strategy

4.1 Risk Based Approach

The Fund utilises a risk based approach to funding strategy.

A risk based approach entails carrying out the actuarial valuation on the basis of the assessed likelihood of meeting the funding objectives, rather than relying on a 'deterministic' approach. In practice, three key decisions are required for the risk based approach:

- what the Solvency Target should be (the funding objective - where the Administering Authority wants the Fund to get to),
- the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by complex risk modelling carried out by the Fund Actuary, define the discount rate and, by extension, the appropriate levels of contribution payable. Together they measure the amount of risk in the funding strategy.

These three terms are considered in more detail below.

4.2 Solvency Target

The Administering Authority's primary aim is long-term solvency. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term. The Solvency Target is the amount of assets which the Fund wishes to hold at the end of the Trajectory Period (see later) to meet this aim.

The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target, where the Solvency Target is the value of the Fund's liabilities evaluated using appropriate actuarial methods and assumptions.

Some comments on the principles used to derive the Funding Target and Solvency Target for different bodies in the Fund are set out below.

(cont.)

4.2.1 Scheduled Bodies and Admission Bodies with guarantors agreeing to subsume assets and liabilities following exit

The Administering Authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than risk free assets for scheduled bodies and certain other bodies. With regard to Admission Bodies the guarantor must have been judged to be of suitable covenant by the Administering Authority (see section on Guarantors in section 5).

For these bodies, appropriate actuarial methods and assumptions are taken to be measurement by use of the Projected Unit method of valuation, and using assumptions such that, if the Fund had reached the Solvency Target and its financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be a chance of at least 80% that the Fund would continue to be 100% funded after a period of 25 years. The level of funding implied by this is the Solvency Target. For the purpose of this Statement, the required level of chance is defined as the Probability of Maintaining Solvency.

4.2.2 Admission Bodies and other bodies whose liabilities are expected to be orphaned

For admission bodies the Administering Authority will have regard to the potential for participation to cease (or to have no contributing members), the potential timing of such exit from the Fund, and any likely change in notional or actual investment strategy as regards the assets held in respect of the admission body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities). For most bodies where liabilities will become orphaned, the chance of achieving solvency will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.

If the liabilities for such bodies are deemed to be small compared to the liabilities of the whole Fund (and therefore the risk related to these liabilities is small) then the Administering Authority may decide to use the Funding Target and Solvency Target used for Scheduled Bodies for practical reasons.

4.2.3 Orphan Liabilities

These are liabilities with no access to funding from any employer in the Fund. To minimise the risk to other employers in the Fund the notional assets related to these liabilities may be assumed to be invested in low risk investments. This is described in more detail later in this document.

If these liabilities are deemed to be small compared to the liabilities of the whole Fund (and therefore the risk related to these liabilities is small) then the Administering Authority may decide to use the Funding Target and Solvency Target used for Scheduled Bodies for practical reasons.

4.3 Probability of Funding Success

The Administering Authority deems funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers.

Consistent with the aim of enabling employers' contribution rates to be kept as nearly constant as possible, the required chance of achieving the Solvency Target at the end of the relevant Trajectory Period for each employer or employer group can be altered at successive valuations within an overall envelope of acceptable risk.

The Administering Authority will not permit contributions to be set following a valuation that have an unacceptably low chance of achieving the Solvency Target at the end of the relevant Trajectory Period.

The trajectory period is set to be 25 years.

4.4 Funding Target

The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions. It is a product of the triennial actuarial valuation exercise and is not necessarily the same as the Solvency Target. It is instead the product of the data, chosen assumptions, and valuation method.

The valuation method including the components of Funding Target, future service contributions and any adjustment for the surplus or deficiency simply serve to set the level of contributions payable, which in turn dictates the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The Funding Target will be the same as the Solvency Target only when the methods and assumptions used to set the Funding Target are the same as the appropriate funding methods and assumptions used to set the Solvency Target (see above).

Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible:

- contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period.
- for employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the future service contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire.

4.5 Full Funding and Solvency

The Fund is deemed to be fully funded when the assets held are equal to or greater than 100% of the Funding Target. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficiency.

The Fund is deemed to be solvent when the assets held are equal to or greater than 100% of the Solvency Target.

The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

4.6 Recovery Periods

Where a valuation reveals that the Fund is in surplus or deficiency against the Funding Target, employer contribution rates will be adjusted to target restoration of the Funding Target over a period of years (the recovery period). The recovery period applicable for each participating employer is set by the Administering Authority in consultation with the Fund actuary and the employer, with a view to balancing the various funding requirements against the risks involved due to such issues as the financial strength of the employer and the nature of its participation in the Fund.

The Administering Authority recognises that a large proportion of the Fund's liabilities are expected to arise as benefit payments over long periods of time. For employers of sound covenant, the Administering Authority is prepared to agree to recovery periods which are longer than the average future working lifetime of the membership of that employer. In general for employers that are closed to new entrants and are of sufficient term the recovery period is set with regard to the estimated future working lifetime of the active membership (i.e. the estimated period of time until the last active member leaves or retires). The Administering Authority recognises that such an approach is consistent with the aim of keeping employer contribution rates as nearly constant as possible. However, the Administering Authority also recognises the risk in relying on long recovery and trajectory periods when the employer has a deficiency and has agreed with the Fund actuary a limit of 25 years in these circumstances, which can be extended in exceptional circumstances for employers of sound covenant to an absolute limit of 40 years. The Administering Authority's policy with regard to employers with a deficit (surplus) is to agree recovery periods with each employer which is as short (long) as possible within this framework. The Administering Authority may encourage employers with a surplus not to take any reduction in their contribution rate to assist with stability requirements.

For employers whose participation in the Fund is for a fixed period it is unlikely that the Administering Authority and Fund actuary would agree to a recovery period longer than the remaining term of participation.

4.7 Long term cost efficiency

In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund, the Administering Authority has assessed the actual contributions payable by considering:

- The implied average deficit recovery period, allowing for the stepping of employer contribution changes;
- The investment return required to achieve full funding over the recovery period; and
- How the investment return compares to the Administering Authority's view of the expected future return being targeted by the Fund's investment strategy.

4.8 Phasing in of Contribution Rates

Phasing in periods will be influenced by the perceived credit worthiness of the employer when there is a deficiency. The Administering Authority's policy is that in the normal course of events no more than 3 annual steps will be permitted. Further steps may be permitted at the Administering Authority's discretion, but the total is unlikely to exceed 6 steps. No limit will be set to phasing in contribution rates when the employer has a surplus.

4.9 Grouping

In some circumstances it is desirable to group employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund.

The Administering Authority recognises that grouping can give rise to cross subsidies from one employer to another over time. Employers may be grouped entirely, such that all of the risks of participation are shared, or only partially grouped such that only specified risks are shared. The Administering Authority's policy is to consider the position carefully at initial grouping and at each valuation and to notify each employer that is grouped that this is the case, which other employers it is grouped with and details of the grouping method used. If the employer objects to this grouping, it will be offered its own contribution rate.

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum benefits on death in service – in other words, the cost of such benefits is shared across the employers in the Fund. Such lump sum benefits at no fault of the employer can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

(cont.)

Currently there is one group of employers in the Fund pooled together for funding and contribution purposes. All risks are shared within this group, they have a common primary (future service) contribution rate but they retain responsibility for the payment of the contributions towards the deficit relating to them.

In addition Powys County Council has agreed a risk sharing approach with a number of employers whereby the employer will pay their primary rate only plus any agreed additional contributions arising from actions taken by the employer. Such employers will be required to sign an agreement with Powys County Council which will set out the contributions to be paid.

The employers to whom these grouping arrangements apply are set out as an Appendix to this Statement.

4.10 Asset shares notionally allocated to employers

In order to establish contribution rates for individual employers or groups of employers it is convenient to notionally subdivide the Fund as a whole between the employers, as if each employer had its own asset share within the Fund.

This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

The asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit payments, transfers in and out and investment income. In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. However, where significant one-off employer contributions have been paid, allowance is made for the timing of such contributions. Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.
- Allowance for any known material internal transfers in the Fund (cashflows will not exist for these transfers). The actuary will assume an estimated cashflow equal to the value of the liabilities transferred from one employer to the other unless some other approach has been agreed between the two employers.
- Allowance for lump sum death in service benefits shared across all employers in the Fund.
- An overall adjustment, as part of each triennial valuation, to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

(cont.)

In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the actuary, the cashflow data which is unavailable is of low materiality, estimated cashflows will be used
- Where, in the opinion of the actuary, the cashflow data which is unavailable is material, or the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers, the actuary will instead use an analysis of gains and losses to roll forward the asset share. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses to the surplus or deficiency exhibited at the previous valuation. Having established an expected surplus or deficiency at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset share.

4.11 Fund Maturity

To protect the Fund, and individual employers, from the risk of increasing maturity producing unacceptably volatile contribution adjustments as a percentage of pay the Administering Authority will normally require defined capital streams from employers in respect of any disclosed funding deficiency.

In certain circumstances, for secure employers considered by the Administering Authority as being long term in nature, contribution adjustments to correct for any disclosed deficiency may be set as a percentage of payroll. To protect the Fund against the risk of payroll failing to grow at the assumed rate, the Administering Authority will monitor payrolls where this approach is agreed.

5. Special Circumstances related to certain employers

5.1 Interim Reviews

Regulation 64(4) of the LGPS 2013 Regulations provides the Administering Authority with a power to carry out valuations in respect of employers expected to exit the Fund at some point in the future, and for the Fund Actuary to certify revised contribution rates, between triennial valuation dates.

The Administering Authority's overriding objective at all times in relation to admission bodies is that, where possible, there is clarity over the funding target for that body, and that contribution rates payable are appropriate for that funding target. However, this is not always possible as any date of exit may be unknown (for example, participation may be assumed at present to be indefinite), and also because market conditions change daily.

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The Administering Authority's general approach in this area is as follows:

- Where the date of exit is known, and is more than 3 years hence, or is unknown and assumed to be indefinite, interim valuations will generally not be carried out at the behest of the Administering Authority.
- For transferee and Schedule 2 Part 3 (1)(d) admission bodies falling into the above category, the Administering Authority sees it as the responsibility of the Relevant Scheme Employer to instruct it if an interim valuation is required. Such an exercise would be at the expense of the Relevant Scheme Employer unless otherwise agreed.
- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the Administering Authority to informally review the situation and subsequently formally request an interim valuation.
- For an employer whose participation is due to cease within the next 3 years, the Administering Authority will monitor developments and may see fit to request an interim valuation at any time.

Notwithstanding the above guidelines, the Administering Authority reserves the right to request an interim valuation of any employer at any time if with Regulation 64(4) applies.

5.2 Guarantors

Some employers may participate in the Fund by virtue of the existence of a Guarantor. The Administering Authority maintains a list of employers and their associated Guarantors. The Administering Authority, unless notified otherwise, sees the duty of a Guarantor to include the following:

- If an exiting employer defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable thereon.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may defray some of the financial liability by subsuming the residual liabilities into its own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities should future deficiencies emerge.

During the period of participation of the employer a guarantor can at any time agree to the future subsumption of any residual liabilities of an admission body. The effect of that action could be to reduce the Funding and Solvency Target for the employer, which could probably lead to reduced contribution requirements.

5.3 Bonds and other securitization

Paragraph 6 of Part 3 of Schedule 2 of the LGPS 2013 Regulations creates a requirement for a new Admission Body to carry out to the satisfaction of the Administering Authority (and the Scheme Employer in the case of an Admission Body admitted under paragraph 1(d)(i)) an assessment taking account of actuarial advice of the level of risk on premature termination by reason of insolvency, winding up or liquidation.

Where the level of risk identified by the assessment is such as to require it the admission body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an admission body to enter into an indemnity or bond, the body is required to secure a guarantee in a form satisfactory to the Administering Authority from an organisation who either funds, owns or controls the functions of the admission body.

The Administering Authority's approach in this area is as follows:

- In the case of Admission Bodies admitted under paragraph 1(d) and other Admission Bodies with a Guarantor, and so long as the Administering Authority judges the relevant Scheme Employer or Guarantor to be of sufficiently sound covenant, any bond exists purely to protect the relevant Scheme Employer on default of the admission body. As such, it is entirely the responsibility of the relevant Scheme Employer or Guarantor to arrange any risk assessments and decide the level of required bond. The Administering Authority will be pleased to supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer, but this should not be construed as advice to the relevant Scheme Employer on this matter.
- In the case of Admission Bodies admitted under paragraph 1(e), or under paragraph 1(d) where the Administering Authority does not judge the Relevant Scheme Employer to be of sufficiently strong covenant, and other Admission Bodies with no Guarantor or where the Administering Authority does not judge the Guarantor to be of sufficiently strong covenant, the Administering Authority must be involved in the assessment of the required level of bond to protect the Fund. The admission will only be able to proceed once the Administering Authority has agreed the level of bond cover. The Administering Authority will supply some standard calculations provided by the Fund Actuary to aid the relevant Scheme Employer form a view on what level of bond would be satisfactory. The Administering Authority will also on request supply this to the Admission Body or Guarantor. This should not be construed as advice to the Scheme Employer, Guarantor or Admission Body.
- The Administering Authority notes that levels of required bond cover can fluctuate and will review, or recommends the Scheme Employer reviews, the required cover regularly, at least once a year.

5.4 Subsumed Liabilities

Where an admission body is ceasing participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund (the 'accepting employer') has agreed to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them has been taken on by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally this will mean assuming continued investment in more risky investments than Government bonds.

5.5 Orphan Liabilities

Where an admission body is ceasing participation in the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority may act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arising on the orphan liabilities creates a cost for those other employers to make good such deficiency. To give effect to this, the Administering Authority may seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government fixed interest and index linked bonds.

However, if these liabilities are deemed to be small compared to the liabilities of the whole Fund (and therefore the risk related to these liabilities is small) then the Administering Authority may decide to use the Funding Target used for Scheduled Bodies for practical reasons.

Any excess or deficient returns on the notional or actual assets attributable to these liabilities relative to the Funding Target will be added to or deducted from the investment return to be attributed to the notional assets of all employers in the Fund.

Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the appropriate funding target at each triennial valuation. This will be achieved by the Actuary notionally re-allocating assets within the Fund as required.

5.6 Exit Valuations

Where an employer exits the Fund, an exit valuation will be carried out in accordance with regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the exit valuation may distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed (see above) by other employers.

For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities.

For orphan liabilities the exit valuation could anticipate investment in low risk investments such as Government bonds or be calculated in the same way as subsumed liabilities, as considered appropriate.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position revealed in the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of a exit payment being required.

6. Key Risks & Controls

6.1 Types of Risk

The Administering Authority has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- investment;
- solvency;
- liability;
- regulatory;
- employer.

The Administering Authority will ensure that funding risks are included within their overarching risk management framework and strategy, linking to their risk register and risk management policy as appropriate and includes defining a role for the Local Pension Board within this framework.

6.2 Investment Risks

Risk Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term

Control Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Analyse progress at three yearly valuations for all employers.

The Administering Authority will request quarterly funding updates between the completion of the valuation report and the date of the next valuation to monitor the position.

Risk Inappropriate long-term investment strategy

Control Set Fund-specific benchmark in accordance with appropriate advice.

Risk Active investment manager underperformance relative to benchmark

Control Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark. The Fund Actuary will be asked to evaluate the implications if there is significant underperformance.

Risk Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies

Control Seek feedback from employers on scope to absorb short-term contribution rises.

Mitigate impact through deficit spreading and phasing in of contribution rises.

Consult employers on possibility of paying more (extra administration and Risk Control higher regular contributions) to enable employer-specific investment strategies to give greater certainty of cost.

Risk Potential cashflow implications of increasing maturity of the Fund, for example as a result of reduced numbers of staff working in local government or through outsourcing

Control Regularly review position including communication with employers about their plans.

Plan investments to ensure sufficient liquidity.

6.3 Solvency Risks

Risk Permitting surpluses or deficiencies to be eliminated over a recovery period rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements.

Control It is policy to discuss the risks inherent in each situation with the Fund Actuary and to limit the permitted length of recovery period to no longer than 25 years in the vast majority of circumstances, and no longer than 40 years under any circumstances.

Risk Permitting contribution rate changes to be introduced by annual steps rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements.

Control The risks inherent in each situation are discussed with the Fund Actuary and to limit the number of permitted steps to three annual steps or, at the Administering Authority's discretion, to six annual steps.

6.4 Liability Risks

Risk Pensioners living longer and changing retirement patterns.

Control Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary investigates these matters at each valuation or if appropriate more frequently and will report on developments.

If significant demographic changes become apparent between valuations, the administering Authority will notify all participating employers on the anticipated costs that will emerge at the next valuation and will review the bonds that are in place for the Transferee Admitted Bodies.

Risk Deteriorating patterns of ill health and other early retirements

Control Employers are charged the extra capital cost of non ill health early retirements following each individual decision.

Ill health retirements will be monitored.

Risk Demographic experience differing from the assumptions used by the actuary

Control The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation, or more frequently if appropriate.

Risk Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities

Control Allowing for a risk-based approach should limit the impact of short term changes in returns on Government bonds on the liabilities.

Some investment in bonds also helps to mitigate this risk.

Inter-valuation monitoring, as set out above, gives early warning of changing liability values.

Risk Pay and price inflation significantly more than anticipated

Control Employers pay for their own salary awards and are reminded of the geared effect on salary-linked pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

6.5 Regulatory Risk

Risk Changes to regulations.

Control The Administering Authority will keep abreast of all proposed changes and where possible express their opinion during consultation periods after careful consideration.

The Fund Actuary is asked to assess the impact on costs of any changes and where these are likely to be significant, the Administering Authority will notify Employers of the possible impact and the timing of any change.

6.6 Employer Risk

Risk Administering Authority being unaware of structural changes in an employer's membership (e.g. large fall in employee members or a large number of retirements).

Control The Administering Authority monitors membership movements on an annual basis, via a report from the administrator to the Pension Fund Committee.

The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 64(4) or 64(7) of the LGPS 2013 Regulations between triennial valuations.

Risk The 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).

Control The Administering Authority monitors membership movements on an annual basis as set out above.

The Actuary may be instructed to consider revising the rates and Adjustments certificate to increase an employer's contributions under Regulation 64(4) of the LGPS 2013 Regulations between triennial valuations.

Risk Administering Authority failing to commission the Fund Actuary to carry out an exit valuation for a departing employer and losing the opportunity to call in a debt.

Control In addition to the Administering Authority monitoring membership movements on an annual basis, it requires employers to inform it of forthcoming changes

Risk An employer ceasing to exist with insufficient funding or adequacy of a bond.

Control The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by:

Seeking a funding guarantee from another scheme employer, or external body, wherever possible.

Requiring a bond or some other security to protect the scheme from the existing deficit and the extra cost of early retirements on redundancy if the employer failed.

Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.

Vetting prospective employers before admission.

Appendix

Grouped employers

Currently there is one group of employers in the Fund pooled together for funding and contribution purposes. All risks are shared within this group, they have a common primary (future service) contribution rate but they retain responsibility for the payment of the contributions towards the deficit relating to them. The following employers included in this group at the date of writing this Statement are as follows:

- Welshpool Town Council
- Llanidloes Burial Joint Committee
- Town Council of Newtown & Llanllwchaiarn
- Ystradgynlais Town Council
- Ystradfellte Community Council
- Llandrindod Wells Town Council
- Brecon Town Council
- Llanidloes Town Council
- Machynlleth Town Council

Risk sharing

Powys County Council has agreed a risk sharing approach with a number of employers whereby the employer will pay their primary rate only plus any agreed additional contributions arising from actions taken by the employer. Such employers will be required to sign an agreement with Powys County Council which will set out the contributions to be paid. The employers who have signed such an agreement at the date of writing this Statement are as follows:

- Camping & Caravanning Club
- Elite Supported Employment Agency Limited
- PAVO
- Powys Dance
- Solo Services Group Limited

Appendix 7: Communications Policy

1. Introduction

- 1.1 Regulation 61 of the Local Government Pension Scheme 2013 (as amended) [SI 2013 No. 2356] requires an administering authority to prepare, publish and maintain a statement that sets out strategy for communication and promotion of the Local Government Pension Scheme.
- 1.2 The Statement is required to include details of policy for communicating with Scheme members and their representatives; prospective Scheme members; and Scheme employers.
- 1.3 In particular, the Statement must set out policy on the provision of information and publicity about the Scheme to Scheme members, their representatives and Scheme employers; the format, frequency and method of distributing such information or publicity; and the promotion of the Scheme to prospective members and their employers.
- 1.4 The Statement must be reviewed and published following any material change relevant to the policy.
- 1.5 An effective communications strategy is vital for any organisation that strives to provide a high quality and consistent service to its customers. The complexity of pensions in general and the LGPS in particular, places communications at the heart of a high quality service provision.
- 1.6 There are six distinct groups with whom Powys Pension Fund needs to communicate:
 - Pension Fund Trustees and local Pension Board Members
 - Scheme Members
 - Prospective Scheme Members
 - Scheme Employers
 - Pension Fund Officers and Staff
 - Other Stakeholders
- 1.7 Set out in this Statement are the mechanisms which are used to communicate with each of these groups, together with a strategy for widening and improving communications and to promote the Scheme amongst non-members.

2. Principles Underpinning this Strategy

- 2.1 The drivers for communicating that underpin this strategy are:
 - a) to inform and educate stakeholders and interested parties about the Powys Pension Fund and the Local Government Pension Scheme in an open and transparent manner;
 - b) to better facilitate accountability;
 - c) to promote the engagement of scheme members and employers.

- 2.2 Wherever possible the Pension Fund seeks to make its communications as open and as accessible as are needed by stakeholders. This includes:
- a) the provision of information through the medium of Welsh;
 - b) the provision of information in other languages if required;
 - c) where possible, providing communications in alternative forms for example in large print, via audio etc.
 - d) the increasing use of social media.
- 2.3 In the context of the LGPS, deciding on when to communicate is largely determined by the statutory requirements imposed upon the Pension Fund. The Pension Fund aims to provide communications to stakeholders within statutory timelines and, for non-statutory information, as and when required.

3. Pension Fund Trustees and local Pension Board Members

- 3.1 The Trustees of Powys Pension Fund (the members of the Pensions & Investment Committee - six Powys County Council Elected Members plus two non-voting members representing other participating Scheme employers and Scheme members) and local Pension Board Members (an independent Chair, two Scheme employer representatives and two Scheme member representatives) receive information, primarily in the form of written reports and email correspondence, that cover investment, actuarial and administration issues. Committee and Board members also attend conferences and seminars on the LGPS.
- 3.2 Completion of appropriate training for Pension Fund Trustees and local Pension Board Members is a mandatory requirement. Ongoing knowledge development and training is to be provided via Pension Fund Officers and advisers. Full details are set out in the Knowledge & Skills Framework Policy appended to the Pension Fund's Governance Policy & Compliance Statement.

4. Scheme Members

- 4.1 Newsletters – are sent out to all active and pensioner members covering LGPS and related issues, as and when required.
- 4.2 Benefit Statements – sent to all active and deferred members (where a current home address is held) annually. Statements include State Scheme benefits and are produced in conjunction with the Department for Work and Pensions.
- 4.3 Scheme Literature – A range of Scheme literature and information covering many aspects of the LGPS is produced by Powys Pension Fund and is supplied direct to employers and Scheme members, as required.
- 4.4 Additional Voluntary Contributions (AVCs) – Regular promotional mailshots are sent to active members in partnership with the Fund's AVC providers.
- 4.5 Pay Advices – Powys Pension Fund issues pay advices to all its Fund pensioners twice per year, or more often where pay amounts vary from month-to-month.
- 4.6 Pensions Increases – all Fund pensioners are advised of their annual pension increase via a personalised letter sent in April each year.
- 4.7 Correspondence – the Pension Fund utilises both surface mail and email to send and receive correspondence with Scheme members.

- 4.8 Telephone – much of the Pension Fund’s communication with individual Scheme members is conducted by telephone.
- 4.9 Pensions Clinics – The Pension Fund provides a periodic clinic service where Scheme members have the opportunity to discuss their individual pension issues on a face-to-face basis. In addition, clinics focussing on AVCs are also held for the benefit of active members, provided by the Fund’s AVC providers.
- 4.10 Welsh Language – wherever possible the Pension Fund provides access to Scheme documents in the medium of Welsh.
- 4.11 Website - a full range of Pension Fund and LGPS information is available via the Pension Fund’s dedicated bespoke website at www.powyspensionfund.org.
- 4.12 My Powys Pension – an online system that is available to all active and deferred Scheme members. It enables members to interact with their pension records; log changes to basic data (e.g. changes to address etc.); and perform pension benefit forecasts.
- 4.13 Powys Pension Fund has both facebook and twitter accounts through which it is able to communicate further with Scheme members who prefer to receive information via these media platforms.

5. Prospective Scheme Members

- 5.1 Scheme Guide – All prospective Scheme members are provided with Scheme information on being appointed to their employments.
- 5.2 Website - a full range of Pension Fund and LGPS information is available via the Pension Fund’s dedicated bespoke website at www.powyspensionfund.org.
- 5.3 The Pension Fund’s intention is to request formal notification of non-joiners from Scheme employers. The information will be used to market the Scheme with dedicated literature. (Targeted for implementation during 2017/18).
- 5.4 Pensions Clinics – The Pension Fund provides a periodic clinic service where prospective Scheme members have the opportunity to discuss their individual pension issues on a face-to-face basis.

6. Scheme Employers

- 6.1 Employers’ Guide – An Employers’ Guide is issued to each employer to assist them in the administration associated with participation in the Scheme.
- 6.2 Ill Health Retirements – The Pension Fund has made available to all participating employers access to the Pension Fund’s approved Occupational Health Physician for the purposes associated with ill health benefits.
- 6.3 Employer Meetings and Reports – Periodic Employer meetings are held at least annually. Typically these are used to communicate a variety of Pension Fund matters of specific interest to employers, such as the results of triennial valuations. In addition, employers receive copies of the Pension Fund’s Annual Report & Accounts, Statement of Investment Principles, Funding Strategy Statement and Governance Policy & Compliance Statement.

- 6.4 Technical Updates – These are sent to employers from time to time to advise them of significant changes to the Scheme and associated legislation.
- 6.5 Website - a full range of Pension Fund and LGPS information is available via the Pension Fund's dedicated bespoke website at www.powyspensionfund.org.
- 6.6 It is envisaged that technical updates for employers will be regularised in the form of a quarterly briefing paper, to include, in addition to Scheme changes, matters of national debate and interest on the future development of pensions in general and the LGPS in particular. (Targeted for implementation during 2017/18).
- 6.7 Powys Pension Fund has both facebook and twitter accounts through which it is able to communicate further with employers who prefer to receive information via these media platforms.

7. Pension Fund Officers and Staff

- 7.1 Team Meetings – Pensions Administration meets quarterly at which team members consider procedural issues; plan work and developments for the coming quarter and beyond; and, at which the team is kept abreast of Scheme developments and changes.
- 7.2 Technical Information – Bulletins and Circulars issued by the Local Government Association together with guidance and consultation documents from the Department for Communities and Local Government are available to all Pension Fund Officers and Staff for information. In addition, periodic in-house procedural guidance, procedure notes and technical explanations are provided, as required.
- 7.3 Intranet and Internet – All staff have been enabled to use the corporate
- 7.4 E-mails – All staff have access to email facilities.
- 7.5 Pension Fund Manager – The Pension Fund Manager maintains an open-door policy and attempts to make himself available to all staff at all times.

8. Other Stakeholders

- 8.1 All Wales Pension Officers' Group – Pension Officers from the 8 administering authorities in Wales meet regularly in order to ensure uniform interpretation of the LGPS and other associated regulations. The group's views are passed up to the national level via the Local Government Pensions Committee's Technical Group Meetings (an arm of the Local Government Association) that are held quarterly.
- 8.2 All Wales Communications Group – Pensions Officers from the 8 administering authorities in Wales meet periodically in order to devise, develop and promote the use of common Scheme literature.
- 8.3 CLASS Group – As a user of the Altair Pensions Administration System, the Pension Fund is a member of the local authority CLASS Group and attends both regional user groups and national meetings.
- 8.4 National Fraud Initiative – The Pension Fund has participated in the National Fraud Initiative since 1998 and continues to do so. This has helped to avoid the overpayment of pension benefits to both deceased and re-employed pensioners.

8.5 Taxpayers and the General Public – all the principal Pension Fund documents including the Annual Report & Accounts, Actuarial Valuation Reports, Statement of Investment Principles, Funding Strategy Statement, Governance Policy & Compliance Statement and this Statement, are available to the public via the Pension Fund’s website at www.powyspensionfund.org or on request.

9. Contacts

9.1 Any questions, queries or observations on this Statement; or, on matters relating to the investment of the Powys Pension Fund; or, on the governance of the Pension Fund, should be addressed to:

Mr C Hurst
Pension Fund Manager
Powys County Council
County Hall
Llandrindod Wells
Powys
LD1 5LG

Tel: 01597 827641

Email: chris.hurst@powys.gov.uk

9.2 Questions or queries concerning membership, benefits or information in respect of the Local Government Pension Scheme, should be directed to:

Mrs M Price
Pensions Support Manager
Powys County Council
County Hall
Llandrindod Wells
Powys
LD1 5LG

Tel: 01597 827640

Email: megan.price@powys.gov.uk

9.3 All other enquiries should be addressed to:

The Pensions Section
Powys County Council
County Hall
Llandrindod Wells
Powys
LD1 5LG

Email: pensions@powys.gov.uk

Glossary of Terms

Accrual

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

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contributions

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

Admitted Bodies

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

Audit

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

Balance Sheet

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

Contingent Liabilities

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

Creditor

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

Current Asset

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

Current Liabilities

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

Current Service Costs (Pension)

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

Debtor

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

Equities - Pooled

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

Financial Reporting Standards (FRS's)

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

Financial Year

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

Gilt Edged Stocks

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

Liability

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

Past Service Costs (Pension)

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

Post Balance Sheet Events

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

Securities

These are investments such as stocks and bonds.