DYFED PENSION FUND

Annual Report & Accounts 2023-2024

Administered by:

Cyngor Sir Gâr
Carmarthenshire County Council

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Chair's Foreword

It is with great pleasure that I present the 2023-24 Annual Report and Accounts of the Dyfed Pension Fund.

It was another exciting and eventful year for the Fund.

We hit some key milestones and had a turnover of pension committee members during the year.

Councillors Neil Lewis and Peter Cooper replaced Councillors Denise Owen and Rob James respectively. I would like to thank Denise and Rob for their contributions to the management of the Fund over the last couple of years.

Some of my personal highlights from our activity this year include:

- Membership increasing by 2% to 55,804
- Net assets increasing by 10%
- Investment in Infrastructure and Private Credit
- Reduction in the equity Weighted Average Carbon Intensity (WACI) by 18%

Our success is directly linked to the hard work of our administration and investment teams.

With the consistent increase in membership year on year, the administration team continues to outperform the benchmark in the majority of tasks and 27,464 cases were completed during the year. I am sure you will agree that the administration cost per scheme member at £29.86 is excellent value for money! Further information on the work of the administration team can be found in Section 3.

The net assets of the Fund have been increasing steadily during recent years. Growing from £2,378k in 2020 to £3,468k in 2024, an increase of 45%. This is testament to the asset allocation decisions of the pension committee and the investment manager appointments of the Wales Pension Partnership (WPP).

It was only 16 years ago (a short period of time in terms of long-term pension investing) that the Fund had a balanced mandate of equities and bonds with Barclays Global Investors who were subsequently bought out by BlackRock. During the intervening period, we invested in Real Estate with Schroders and Partners Group, and Global Equities with Baillie Gifford and Columbia Threadneedle. The establishment of WPP has afforded us further opportunities to diversify our portfolio and review our global equity mandates. Following decisions made by the pension committee, we commenced our investments in the Sustainable Active Equity fund (Russell Investments), Infrastructure (GCM Grosvenor and Capital Dynamics) and Private Credit (Russell Investments) during the year.

The reduction in the equity WACI has built on previous years' carbon intensity improvements. Since September 2020, the cumulative reduction is over 40% which demonstrates that the Fund is making great strides in this crucial area. You can be assured that as a pension committee, we will continue to work hard to reduce this further.

I am sure you will enjoy reading through the report and details of all the activities that have been undertaken by the Fund throughout the year.

Councillor Elwyn Williams

Chair of the Dyfed Pension Fund Committee

Introduction

The Dyfed Pension Fund's main overriding objective is to secure the payment of pension benefits now and in the future to its members. It is the common purpose of the Fund's longer-term policies, objectives and strategies. These are agreed by the Dyfed Pension Fund Committee and set out in its policy documents. These documents cover governance, risk, funding, investment, administration and communications.

It is easy to lose sight of this objective with the discussions that are ongoing with LGPS consolidation, engagement versus divestment and local/impact investing. It is my responsibility as Section 151 Officer to ensure that this does not happen.

The Dyfed Pension Fund is one of the eight LGPS funds in Wales. A pooling entity, namely the Wales Pension Partnership (WPP), was established in 2017 to manage the investments of the Funds. The LGPS in Wales has a long and successful history of collaboration, including examples that pre-date the Government's 2016 pooling initiative. We are proud of our unique identity as a Pool – the Constituent Authorities represent and span the entirety of Wales. Being democratically accountable means, we provide the best of strong public sector governance and transparency.

As at 31 March 2024 the Dyfed Pension Fund had 48% of its assets invested in WPP across active equities, bonds, infrastructure and private credit with a further 32% of passive equities under pool management with BlackRock. Further information on WPP can be found in Section 2.

The pension committee reviewed and updated the Investment Strategy Statement (ISS) during the year. The ISS is an important governance tool for the Fund. The document sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high-level risk register, and has been designed to be informative for all stakeholders. In preparing it, officers consulted with such persons as it considered appropriate, and the document is updated based on any factors that the Fund considers material to its liabilities, finances or attitude to risk. The link to the ISS can be found in Section 7.

The Fund's Risk Register was also reviewed, and the reporting was modified. The register has been separated out into Governance & Regulatory risks, Funding & Investment risks and Operational risks. It therefore covers administration, investments and governance of the Fund. An area is discussed at each committee meeting. The link to the Risk Register can be found in Section 7.

As the Chair has highlighted in his foreword, the administration team continues to perform well in all its workflows. Whether it be actual retirements, retirement estimates, starters, transfers in, transfers out, aggregation or leavers. The annual data quality review was undertaken in December 2023. It again split the assessment of data held between two data categories: Common Data and Scheme Specific Data.

Tests were undertaken on the data held by the Fund on its Scheme members to identify whether data is present and accurate. The data score in most of the years was over 99%! The team is also still actively encouraging staff to register for 'My Pension On-line'.

Finally, from me, the Chair has thanked both our teams, which I would like to re-iterate and I would also like to thank the Fund's Independent Investment Adviser Adrian Brown. Committee members and officers continue to be impressed by his attention to detail, his examination of the performance of the investment managers and his engagement with the wider LGPS community. Using his wealth of experience on the stock markets and the world economy Adrian presents an informative report to committee on a quarterly basis, and I am sure you will enjoy reading his report in Section 2 page 34.

Chris Moore

Director of Corporate Services
Carmarthenshire County Council

Section 1 - Management & Financial Performance Reports

Fund Management & Advisers

The Dyfed Pension Fund is administered by Carmarthenshire County Council (the administering authority) and under the Council's constitution the Dyfed Pension Fund Committee has overall strategic responsibility for managing the Fund. The Fund's Governance Policy sets out the roles and responsibilities of the Committee.

During 2023-24 the Committee members were:

- Councillor Elwyn Williams - Chair of the Committee
- Councillor Dai Thomas - Committee Member
- Councillor Peter Cooper - Committee Member (replaced Councillor Rob James during the year)
- Councillor Neil Lewis - Substitute Committee Member (replaced Councillor Denise Owen during the year)

The following officers from Carmarthenshire County Council also attended Committee meetings and/or acted as advisers:

- Mr Chris Moore, FCCA - Director of Corporate Services
- Mr Randal Hemingway, CPFA - Head of Financial Services
- Mr Anthony Parnell, FCCA - Treasury and Pension Investments Manager
- Mr Kevin Gerard, MIPPM - Pensions Manager

The Dyfed Pension Fund Committee has adopted the Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The Code sets out the knowledge and skills needed for those involved with pension scheme governance as recommended by Lord Hutton in his report on public sector pensions.

The Committee and officers attended various training courses, seminars and conferences on administration and investment matters. These were provided by the investment managers, consultants, officers, national and local government associations. The meeting attendance and training events for each Committee member are shown below:

Meeting attendance and training events 2023-24	Cllr Elwyn Williams	Cllr Dai Thomas	Cllr Rob James	Cllr Peter Cooper	Cllr Neil Lewis
Voting rights	✓	✓	✓	✓	
2023-24 Meeting attendance:					
Committee Meeting 26 June 2023	✓	✓	✓		
Committee Meeting 28 September 2023	✓	✓			✓
ACM 14 November 2023	✓	✓			
Committee Meeting 15 November 2023	✓	✓			✓
Committee Meeting 27 March 2024	✓	✓		✓	

2023-24 Training events:					
Business Meeting (LAPFF) April 2023		✓			
Schroders Briefing May 2023	✓	✓	✓		
Local Authority Conference (PLSA) June 2023	✓				
Business Meeting (LAPFF) July 2023		✓			
Investment Summit (LGC) September 2023			✓		✓
WPP Training Session September 2023	✓				
Schroders Briefing September 2023	✓				
Partners Group Briefing September 2023	✓	✓	✓		
AGM & Business Meeting (LAPFF) October 2023		✓			
Fundamentals Training (LGA) October 2023					✓
Fundamentals Training (LGA) November 2023					✓
Fundamentals Training (LGA) December 2023					✓
WPP Training Session December 2023	✓				✓
LGPS Governance Conference (LGA) January 2024		✓			
WPP Training Session March 2024	✓	✓			✓
GCM Grosvenor Briefing March 2024	✓	✓			✓
Investment Seminar (LGC) March 2024	✓				

The Fund's Independent Investment Adviser: Mr Adrian Brown (Apex Group plc) - Advises the Committee on all aspects of investment management at quarterly meetings and ad hoc meetings as necessary.

Investment Managers:	BlackRock, Schroders, Partners Group, Wales Pension Partnership
Legal Advisers:	Eversheds
Performance Measurement Company:	Local Authority Pension Performance Analytics (PIRC)
Fund Actuary:	Mercer
Custodian:	Northern Trust
Bankers:	Barclays Bank Plc
AVC Providers:	Prudential, Standard Life and UTMOST
External Auditor:	Auditor General for Wales

Risk Management

Carmarthenshire County Council, the Administering Authority to the Dyfed Pension Fund, recognises the importance of effective risk management. Risk management is the process by which the council systematically identifies and addresses the risks associated with its activities.

Risk management is a key part of Carmarthenshire County Council's corporate governance arrangements, and the council has a formal risk management strategy which is regularly reviewed and developed in response to changes within the council and the external environment.

As required by the risk management strategy the Fund uses the risk register tool to identify, prioritise, manage and monitor risks associated with the Dyfed Pension Fund. This register can be found on the Dyfed Pension Fund's website.

The Funding Strategy Statement (FSS) (Section 7) and the Investment Strategy Statement (ISS)(Section 7) explain the Fund's key risks and how they are identified, mitigated, managed and reviewed. Investment advice is received from Mr Adrian Brown, the Independent Investment Adviser, and the Dyfed Pension Fund Committee meet and review fund manager performance and activity at least quarterly.

Financial Performance

Income & Expenditure

The table below shows actual income and expenditure for 2023-24 against budget:

	Actual 2022-23 £'000	**Budget 2023-24 £'000**	**Actual 2023-24 £'000**	**Variance 2023-24 £'000**
Income				
Employee Contributions	24,686	25,557	26,694	1,117
Employer Contributions	71,231	69,522	75,585	6,063
Transfers In	4,999	3,500	6,038	2,538
Investment Income	27,227	29,214	58,630	29,416
Total Income	**128,143**	**127,813**	**166,947**	**39,134**
Expenditure				
Benefits Payable	(99,423)	(108,932)	(113,569)	(4,637)
Transfers Out	(4,530)	(3,670)	(4,829)	(1,159)
Management Expenses	(2,296)	(2,261)	(2,514)	(253)
Investment Management Expenses	(8,114)	(12,950)	(10,562)	2,388
Total Expenditure	**(114,363)**	**(127,813)**	**(131,474)**	**(3,661)**
Changes in the Market Value of Investments	(113,849)	-	297,096	-
Net Increase/(Decrease) in the fund	**(100,069)**	**-**	**332,569**	**-**

Section 2 - Investment Policy & Performance Reports

Fund Investments

Investment Policy

The Fund sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS) (Section 7). The ISS also sets out the Fund's policies in respect of responsible investment and other environmental or social issues.

The Investment Policy and the approach to the management of risk for the Fund as a whole and in respect of the investment managers is outlined in the ISS. The ISS has been developed alongside the Fund's funding strategy on an integrated basis taking into account the risks inherent in the Fund. The ISS document can be found on our website.

Responsible Investment (RI) Policy

The Fund is a long-term investor aiming to deliver a sustainable pension fund for all stakeholders and has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members.

Responsible Investment is a fundamental part of the Fund's overarching investment strategy as set out in the Investment Strategy Statement. That is, to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers and minimising the long-term cost of the scheme. The Fund believes that consideration of Environmental, Social and Corporate Governance (ESG) factors are fundamental to this, particularly where they are likely to impact on the overarching investment objective.

The Responsible Investment Policy can be found in Section 7 of this report or on the website.

Membership of Pension Fund Institutions

The Fund subscribes to and is a member of Pension and Lifetime Savings Association (PLSA), Local Authority Pension Fund Forum (LAPFF), CIPFA Pension's Network, LGA Scheme Advisory Board (SAB) and LGA Local Government Pension Committee (LGPC).

Voting

Managers are instructed to vote the Fund's shares in companies in line with the Fund's Voting Policy and the PLSA voting guidelines. These guidelines set out principles that should be followed when voting.

Manager changes

There were no manager changes during the year, however the following major transitions took place:

- The Fund invested 5% (circa £160m) of total assets in WPP's Sustainable Active Equity Fund. This investment was funded through the sale of UK and Emerging Markets passive equities.
- The Fund invested £23.5m of its £100m allocation to WPP's close-ended infrastructure investment managed by GCM Grosvenor. This was funded through the sale of European passive equities. In addition to this, the Fund invested £2.9m of its £10m allocation to a separate WPP infrastructure investment managed by Capital Dynamics.

- WPP launched its Private Credit investment solution (managed by Russell Investments) with the Fund investing £14.4m of its £150m allocation. This investment was funded through the sale of UK passive equities.

In addition to these new investments which were launched during the year, the Fund:

- Rebalanced its assets by investing a further £80m into WPP's Global Credit Fund. This additional investment was funded through the sale of UK (£50m) and Emerging Markets (£30m) passive equities respectively.

Asset Allocation

Mandate	Approach	Manager	Benchmark (%)	Actual (%)
Equities		**Allocation**	**60.00**	**73.53**
Global	Active	WPP (Waystone)		32.68
Sustainable Equity	Active	WPP (Russell Investments)		5.24
Japanese	Active	BlackRock		4.03
UK	Passive	BlackRock		12.50
Other Regional	Passive	BlackRock		7.92
ACS Low Carbon	Passive	BlackRock		11.16
Fixed Interest		**Allocation**	**10.00**	**9.28**
Global Credit	Active	WPP (Russell Investments)		9.28
Property		**Allocation**	**15.00**	**11.82**
Property	Active	Schroders		10.62
Property	Active	Partners Group		1.20
Infrastructure		**Allocation**	**5.00**	**0.79**
Infrastructure	Active	WPP (GCM Grosvenor & Capital Dynamics)		0.79
Private Credit		**Allocation**	**5.00**	**0.40**
Private Credit	Active	WPP (Russell Investments)		0.40
Alternatives		**Allocation**	**5.00**	**3.78**
Strategic Alternative Income Fund	Active	BlackRock		3.78
Cash		**Allocation**	**0.00**	**0.40**
Cash	Active	BlackRock, Schroders & Partners Group		0.40
Total			**100.00**	**100.00**

The table above shows that the Fund's actual allocation to equities is above the benchmark. The Pension Committee are reviewing the allocations with a view of rebalancing the investments in line with the benchmarks.

The table below shows the change in fund value from the beginning of the year to the end of the year and is broken down by asset class. The value of the Fund increased by 10.6% from 2022-23 to 2023-24:

	Value as at 31/03/23	Value as at 31/03/24
	£'000	£'000
UK Equities	562,035	433,418
Global & Overseas Equities	1,778,461	2,116,414
Index Linked Gilts	10,781	0
Fixed Interest Bonds	226,700	321,959
Property	407,472	409,627
Multi Asset (SAIF)	124,097	130,905
Infrastructure	0	27,460
Private Credit	0	13,944
Cash	27,061	13,693
Accrued Income	73	142
Total	**3,136,680**	**3,467,562**

The table below shows the Fund's total pooled assets:

	Pooled £'000	Under Pooled Management £'000	Not Pooled £'000	Total £'000
Equities	1,314,902	1,095,223	139,707	2,549,832
Bonds	321,959	0	0	321,959
Real Estate	0	0	409,627	409,627
Multi Asset	0	0	130,905	130,905
Infrastructure	27,460	0	0	27,460
Private Credit	13,944	0	0	13,944
Cash	0	0	13,835	13,835
Total	**1,678,265**	**1,095,223**	**694,074**	**3,467,562**

The table below shows the Fund's pooled assets within the UK:

	Pooled £'000	Under Pooled Management £'000	Not Pooled £'000	Total £'000
UK Listed Equities	0	433,418	0	433,418
UK Real Estate	0	0	374,319	374,319
UK Infrastructure	3,018	0	0	3,018
UK Multi Asset	0	0	104,724	104,724
Total	**3,018**	**433,418**	**479,043**	**915,479**

Investment Performance

Total Fund performance was below the LA Universe average over the three and five year periods and above the average over the one, ten, twenty and thirty year periods as shown below.

Periods to 31/03/24	Return (%)	LA Universe (%)	Out/(Under) Performance (%)	Ranking
1 year	10.90	9.20	1.70	43
3 years*	4.60	5.30	(0.70)	56
5 years*	6.40	6.50	(0.10)	54
10 years*	8.10	7.60	0.50	20
20 years*	8.00	7.70	0.30	24
30 years*	8.00	7.40	0.60	4

*Annualised Returns

Individual Managers' Performance

The following tables show the performance of each manager for the year ending 31 March 2024.

<u>Partners Group</u>

The performance of investments in private property is measured by Internal Rate of Return (IRR), a figure that will be volatile until the Fund reaches maturity. The current portfolio IRR is 5.4%. As a time-weighted return based on cash flows it is not a meaningful performance measurement until all capital contributed and earnings has been returned to the investor. Until then the IRR will peak and dip based on the timing of cash inflows and outflows. The portfolio of investments continue to meet Partners Group's expectations in terms of performance.

The table illustrates the cash flows as at 31 March 2024. The valuation of the property portfolio is above the original cost of investment:

Portfolio investments	
Committed	£99.94m
Commitment level - directs	24.25%
Commitment level - secondaries	31.82%
Commitment level - primaries	46.96%
Invested	£89.24m
Investment level	89.30%

Partners Group Red Dragon, L.P.	
Commitments	£97.00m
Capital contributions	£70.46m
Capital contributions (in % of commitments)	72.64%
Unfunded commitments	£26.54m
Distributions	£49.00m
Net asset value	£41.54m
Net return (1 year)	(2.00)%
Net return (inception to date)	5.40%

Schroders

The manager outperformed the benchmark over the one, three and five year periods by 1.50%, 1.00% and 0.3% respectively.

Performance to 31/03/24	Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	0.80	(0.70)	1.50
3 years*	2.50	1.50	1.00
5 years*	1.70	1.40	0.30

*Annualised Returns

BlackRock

The manager outperformed the benchmark over the one, three and five year periods by 1.63%, 1.55% and 1.62% respectively.

Performance to 31/03/24	Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	13.63	12.00	1.63
3 years*	6.95	5.40	1.55
5 years*	7.95	6.33	1.62

*Annualised Returns

BlackRock UK Strategic Alternative Income Fund (SAIF)

As shown in the table below, the Fund has allocated £150m to this multi asset investment. As at 31 March 2024 the investment level was 97.26%, The one year net return was 0.3% and net return since inception was 2.6%.

Portfolio investments	
Committed	£150.00m
Invested	£145.89m
Unfunded commitments	£4.11m
Investment Level	97.26%
Distributions	£23.85m
Net Asset Value	£130.90m
Net Return (1 year)	0.30%
Net Income Return (1 year)	7.50%
Net Return (inception to date)	2.60%

Wales Pension Partnership

Global Growth Fund

The Fund underperformed the benchmark over the one-year period and since its inception in February 2019 by -4.33% and -1.14% respectively.

Performance to 31/03/24	Net Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	16.27	20.60	(4.33)
Inception to Date	11.12	12.26	(1.14)

Global Credit Fund

The Fund outperformed the benchmark over the one-year period by 0.01%. The Fund has underperformed the benchmark since its inception in August 2020 by -0.01%.

Performance to 31/03/24	Net Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	4.88	4.87	0.01
Inception to Date	(2.32)	(2.31)	(0.01)

Sustainable Active Equity Fund

The Fund has underperformed the benchmark since its inception in June 2023 by -3.77%.

Performance to 31/03/24	Net Return (%)	Benchmark (%)	Out/(Under) Performance
Inception to Date	15.32	19.09	(3.77)

BlackRock

Fund Returns 1 April 2023 to 31 March 2024

Returns %	12 Months to 31-Mar-24 Account (%)	Index (%)
Aquila UK Equity Index Fund	8.41	8.43
Aquila Life European Equity Index Fund ex UK	13.20	13.42
Ascent Life Japanese Equity Fund	23.35	22.32
iShares Emerging Market Index Sub Fund	7.71	8.15
ACS World Low Carbon Equity Tracker Fund	22.97	24.08
Total Fund	**13.93**	**12.00**
Index Linked Gilt Portfolio	-6.70	-6.83
Total Fund including UK Index Linked Gilts	**13.50**	**-**

Source: BlackRock 2024

BlackRock Performance

Over the last year, Dyfed Pension Fund's Main Portfolio returned 13.93% for the period compared to a composite index return of 12.00%, thereby outperforming the index by 1.93%. The passively managed funds tracked the indices they are managed against.

On the active side, the Japanese Equities outperformed the benchmark by 1.03%.

Global Market Outlook

The past financial year was marked by volatility driven by high inflation and rapid interest rate hikes. The stock market oscillated between fears of recession and hopes of interest rate cuts as inflation moderated. The market overall rallied with the MSCI ACWI GBP returning +20.6% as technology stocks, especially those related to artificial intelligence, dominated while the rest of the market took time to catch up. Policymakers were focused on balancing the risk of recession with persistent inflation. While the Federal Reserve held rates steady, it signalled the intention to cut rates in 2024. The European Central Bank and Bank of England also maintained a cautious stance. Despite the potential delay in rate cuts, the financial markets continued to post positive returns, driven by the anticipation of returns from artificial intelligence in the technology sector and the performance of value stocks towards the latter part of the period.

Environmental, Social and Governance (ESG)

BlackRock's broad investment approach is rooted in our fiduciary duty and informed by three principles: we start by understanding the client's investment objectives; we seek the best risk-adjusted returns within the scope of the mandate they give us; and we underpin our work with research, data, and analytics. We apply that same approach to sustainability and the low-carbon transition. As climate and other sustainability risks can be investment risks, where appropriate, our firmwide processes must consider them like all other material risk measures.

We do this across our active portfolios in both public and private markets. Depending on the investment approach, sustainability measures may help inform the due diligence, portfolio construction, and/or monitoring processes of our active and alternatives platforms, as well as our approach to risk management. In an index portfolio, the investment objective is to track a predetermined benchmark index. BlackRock engages with third-party index providers to provide input on the design of their indexes, in order to meet client demand. BlackRock also provides transparent disclosure on the characteristics of index portfolios.

Responsible Investment

At BlackRock, investment stewardship is one of the ways we fulfill our fiduciary responsibilities as an asset manager to our clients. Proxy voting at BlackRock is centralized within the Investment Stewardship team of over 60 specialists who successfully complete 3,700+ engagements with 2,500+ public companies across 50 markets annually. From BlackRock's perspective, sound management of business-relevant sustainability issues can contribute to a company's sustainable long-term financial performance. Incorporating these considerations into the investment research, portfolio construction, and stewardship process can enhance long-term risk adjusted returns for our clients.

Voting is the most broad-based form of engagement we have with companies, providing a channel for feedback to the board and management about investor perceptions of their performance and governance practices.

BlackRock votes annually at more than 18,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Our analysis is informed by our internally developed proxy voting guidelines, our pre-vote engagements, research, and the situational factors at a particular company. We aim to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits.

Low Carbon Fund

Dyfed Pension Fund is an investor in BlackRock's ACS World Low Carbon Equity Tracker Fund which tracks the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index. The index aims to address two dimensions of carbon exposure – portfolio carbon emissions intensity and exposure to fossil fuel reserves. The index is designed to exclude companies with exposure to Fossil Fuels, whilst minimising the carbon emissions intensity subject to a target level of predicted tracking error. Dyfed was one of the investors contributing to a consultation with BlackRock which resulted in enhancements to the Index which were implemented in December 2023. Amongst other things, these included the addition of Scope 3 emissions in the carbon intensity measure, along with further exclusion criteria including ESG controversies.

Low Carbon Voting & Engagement Update

During 2023-24, BlackRock's ACS World Low Carbon Equity Tracker Fund had 849 companies within the portfolio. Over the period, there were 1,004 company engagements and, of that, 579 individual companies were engaged. Regionally, this transpires to 53% of engagements occurring within the Americas, 32% within EMEA and 15% in APAC. In terms of voting statistics, BlackRock voted on 98.5% of the 927 votable meetings and 97.6% of the 13,092 proposals (management and shareholder).

Strategic Alternative Income Fund (SAIF)

Inflation and the actions of the Bank of England were very much in focus during 2023. While inflation (CPI) moderated towards the end of the year, economic indicators pointed to an economy in stagnation. The Secure Alternative Income Fund ("SAIF", "the Fund") has continued to deliver resilience through this period of uncertainty. Not only did the fund deliver security of income, it also provided linkage to inflation by returning a 12month income return of 6.7% in 2023 compared to 5.2% in 2022. SAIF's flexible, multi-strategy, and highly diversified approach has enabled its investors to capitalise on attractive opportunities throughout various market regimes while being aptly suited to navigate through a period of higher rates and inflation and economic uncertainty.

During 2023, SAIF made around 25 investments, including funding existing commitments to several investments. In Q3'23 for example, SAIF invested c. $56.4m in Project Titan to acquire a supermarket in a prime commuter town. Another example from earlier in the year is Project Cape, which supports the financing of smart meters by the UK's largest operator of residential electricity and gas meter assets. This opportunity generates an attractive risk-adjusted return as the opportunity benefits from strong regulatory tailwinds and healthy, recurring cash flows, while also aiding in the UK's goal of reducing energy consumption.

As of March 2024, Dyfed's commitment to the second close (£120m) is 100% deployed and the more recent commitment to the fifth close (£30m) is 100% deployed, well ahead of straight-line deployment expectations. The investment pipeline remains strong with a healthy set of opportunities spanning multiple asset classes, sectors, and parts of the capital structure.

Outlook

Inflation continues to moderate and economic data is pointing to a slight pick-up in activity. Central bankers are signaling a forthcoming reduction in rates, which will stabilize value and residual cash flows (post financing). The security, stability, and durability of SAIF's inflation-linked income remains a compelling portfolio tool to increase resiliency and the ability to service liabilities in doing so. We expect the Fund's units to continue to generate a spread of 2-3% over 10-year Gilts going forward (over an investment cycle). As such, we are looking forward to deploying capital into attractively priced opportunities that BlackRock's secure income specialists continue to find.

Tamryn Rowlands, Director

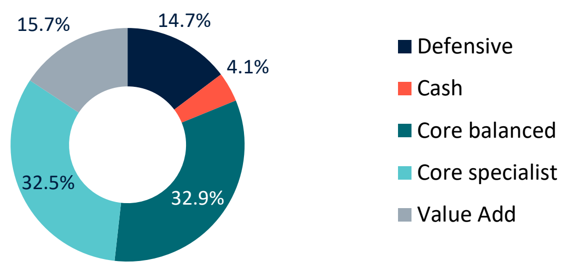
Schroders

Background

Schroders was appointed to manage a portfolio of indirect investments on behalf of Dyfed Pension Fund in March 2010. As at 31st March 2024 the value of the property portfolio stood at £377 million. The portfolio strategy has evolved over time from largely investing in balanced real estate funds (i.e. funds that invest in a selection of retail, office and industrial properties) to increasingly investing in sector specialist vehicles. This has given Dyfed access to best in class specialist managers and exposure to emerging niche strategies such as retirement villages and social supported housing.

The look-through sector structure of the UK portfolio is broadly in line with the Schroders Capital Real Estate Investment Outlook being underweight to the wider retail sector and overweight to non-mainstream 'alternative' sectors. By fund risk style, approximately 33% of the portfolio by value is invested in core balanced funds, 32% in core specialist funds, 15% in defensive style funds and 16% in value-add style funds. The portfolio has no exposure to continental European real estate funds.

Portfolio value by fund style (as at 31st March 2024)



Schroders Net Zero 2050 commitment

Schroders Capital Real Estate has committed to achieving Net Zero Carbon by 2050. Our Net Zero Pathway builds on our existing programme to improve the sustainability credentials of our assets and supports the increased emphasis for reducing emissions to limit global warming to 1.5^{o}c, as set out in the 2015 Paris Agreement. The Pathway will evolve over time as Schroders and the wider industry develops its understanding of how to address the carbon impact of real estate activities and as regulatory initiatives develop. The multi-manager approach of the Schroders Capital Real Estate Solutions Team (the team that manages Dyfed's portfolio) to Net Zero requires active engagement with third party managers to encourage and influence their approach. We encourage all managers to establish measurable Net Zero Carbon Pathways that include the setting of interim targets. Through our engagement with managers via meetings and data collected from surveys we monitor their progress and report to clients.

Carbon Emissions Profile of the Dyfed real Estate Portfolio

The table below presents the carbon emissions profile of Dyfed's real estate portfolio over the year to 31st March 2024. We have calculated this by multiplying the percentage ownership of each fund investment by the respective fund's carbon emission output in tonnes as reported by the manager. The output of each fund is summed to create a portfolio level emissions total. Total absolute carbon emissions are presented across Scopes 1,2 and 3 and as a combined value.

Actual data has been reported by managers across 49.7% of Dyfed's portfolio by value and we have estimated further emissions to provide portfolio coverage of 67.8%. This is achieved through data extrapolation across the funds where only partial data has been provided. Data collection rates are improving across the industry however it will be several years before landlords receive data from 100% of tenants. Until this time reported carbon emissions data may show some volatility. We continue to challenge the Managers of Dyfed's portfolio investments to provide increased transparency in the reporting of carbon emissions. This leaves 32.2% of the portfolio where we have no data to report such as development funds, real estate funds and new fund investments.

The carbon footprint of Dyfed's portfolio over the year to 31st March 2024 was 12.6 tCO2e/£m. This compares with 12.3 tCO2e/£m reported the previous year. The slight increase is due to the fall in the value of the portfolio as well as increasing investment in funds where no carbon emissions data is available.

Dyfed Pension Fund Carbon Emissions Profile			
Year to 31st March 2024		**Year to 31st March 2023**	
Portfolio Value Q1 2024	**£377,002,551**	**Portfolio Value Q1 2023**	**£386,205,581**
Cash	**£15,504,847**	**Cash**	**£20,321,200**
Portfolio Value excluding Cash Q1 2024[1]	**£361,497,704**	**Portfolio Value excluding Cash Q1 2023[1]**	**£365,884,381**
Portfolio Emissions[2]	**Year to 31st March 2024**	**Portfolio Emissions[2]**	**Year to 31st March 2023**
% of portfolio covered	67.8%	% of portfolio covered	76.8%
£ of portfolio covered	£245,226,219	£ of portfolio covered	£280,957,340
Scope1 GHG emissions (tCO2e)	204	Scope1 GHG emissions (tCO2e)	316
Scope2 GHG emissions (tCO2e)	428	Scope2 GHG emissions (tCO2e)	596
Scope3 GHG emissions (tCO2e)	2,465	Scope3 GHG emissions (tCO2e)	2,545
Total GHG emissions (tCO2e)	3,096	Total GHG emissions (tCO2e)	3,457
Carbon Footprint (tCO2e/£m)	12.6	Carbon Footprint (tCO2e/£m)	12.3
Emissions not reported[3]		**Emissions not reported[3]**	
% of portfolio not covered	32.2%	% of portfolio not covered	23.2%
£ of portfolio not covered	£116,271,485	£ of portfolio not covered	£84,927,041

Please note that our analysis relies on data reported to us by third parties and has not been audited.

1 All calculations are based off portfolio value excluding cash.

2 We multiply the percentage ownership of the client in each of their underlying fund investments by the respective fund's carbon emissions output in tonnes as reported by each Fund Manager. The output of each fund is summed to create an emissions total. Where we do not have 100% data coverage in any one fund we have extrapolated the date up to 100% coverage by assuming those assets with missing data produce the same emissions as the average of all assets where date has been reported.
3 These are funds where we have no GHG data.

All emissions data has been reported from GRESB 2023 fund submissions

Property Market Outlook

UK real estate capital values have fallen by around 25% since June 2022. The office sector has delivered the weakest performance, while retail and industrial values have seen relative resilience. Schroders in-house real estate research team forecast that commercial property values will reach a floor in the first half of 2024 marking the start of a cyclical buying opportunity as the market offers increasingly fair, or better value than it has for several years. Occupational markets remain robust, with positive rental growth expected across the majority of market segments due to restricted levels of floorspace supply. Schroders in-house forecasts suggest all property returns to accelerate to circa 4.8% in 2024, improving further to 8.3% per annum from 2025 through 2029.

Portfolio Performance

The benchmark, MSCI / AREF UK Quarterly Property Index All Balanced Funds Weighted Average, delivered total returns of -1.4% over the last twelve months to March 2024. On a relative basis Dyfed's portfolio has fared well, outperforming its benchmark by +1.5% to deliver a total return net of all costs and fees of 0.8% over the same period. Over the last couple of years when UK real estate returns were high (and yields were low), we have tilted the portfolio towards defensive investments such as real estate debt and convenience retail which have provided more stable returns with far less sensitive to the volatility seen in other real estate sectors. As a result, the portfolio is outperforming its benchmark over all time periods, namely three months, twelve months, three years, five year and ten years. Absolute returns over a ten-year period are 5.3% net of all fees and costs versus the benchmark return of 5.2% per annum.

Portfolio Strategy

Our 'solutions based' approach to investing provides Dyfed with exposure to focused and niche investment strategies that we believe align with long term fundamental trends and / or benefit from short term supply and demand disruptions. Where suitable third-party funds are not available in our target strategies we create Partnership Funds to access these and partner with specialist investment advisers to provide the unique operational expertise required.

We continue to actively manage Dyfed's real estate portfolio and continue with our programme to take advantage of distressed and discounted market pricing opportunities, investing cash received from redemptions proceeds of weak performing funds into growth opportunities via sectors with strong structural drivers as well as added value and other recovery strategies which we expect to underpin future return prospects.

We favour prime, well-located properties, particularly those with low carbon construction and operation as well as retrofit strategies that take assets from 'brown to green'. We continue to favour the 'living' sectors including student accommodation and senior housing. We remain cautious about the retail sector with the exception of convenience retail formats. Operational segments, such as hotels, should also fare well as they provide the ability to deliver resilient cashflows and income growth potential that is aligned with tenant success.

The portfolio is well positioned to continue its outperformance over benchmark with a well-diversified selection of funds across the following three risk-return profiles in accordance with our overarching strategy:

- There is downside protection via out defensive holdings in cash, real estate debt and convenience retail which have driven outperformance during the downturn. As we near the bottom of the market we are starting to reduce or exposure to defensive holdings by using cash reserves to invest into value-add strategies

- In line with our target allocation our core portfolio is overweight to alternative sectors and underweight to retail sectors. We have been investing in funds that offer best in class specialist allocations with a focus on adding value through buying mispriced opportunities and delivering asset management initiatives such as ReForm Fund and Schroders Capital UK Operating Hotels Fund.

- There is significant embedded growth in our closed ended value add / opportunistic strategies which are delivering strong returns and should continue to do so over the next several years until the funds expire. Accordingly, we are tilting the portfolio towards growth opportunities via sectors with strong structural drivers as well as added value and other recovery strategies.

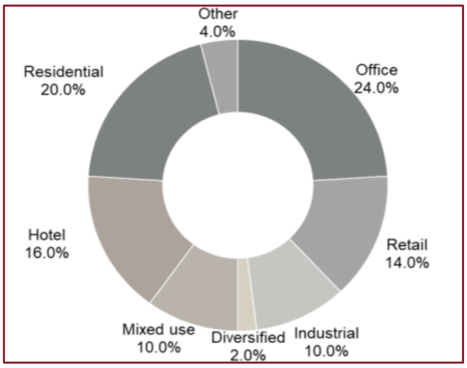
The balance of investments across these three risk-return profiles should allow us to continue to deliver outperformance over benchmark not just in a growth market but throughout all market cycles by providing defensive qualities in a weak market and enhanced performance prospects in stronger markets.

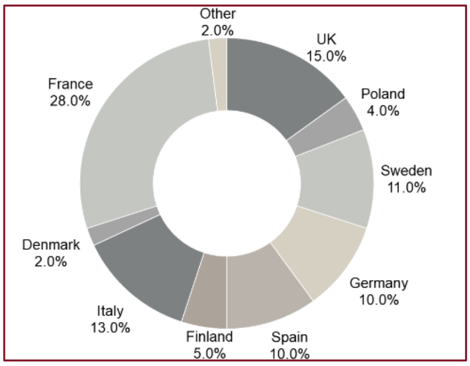
Naomi Green, Fund Manager

Partners Group

Overview

Partners Group Red Dragon LP invests in a wide range of European real estate opportunities which are accessed via primary, secondary, and direct investments. As of 31 March 2024, the unrealised portfolio comprised 7 direct, 12 secondary, and 11 primary investments, demonstrating a diversified portfolio across investment types, sectors, and geographic regions (please refer to below graphics). The portfolio is in value creation and realization phase and continues to distribute to Dyfed Pension Fund.





Exit activity

Over the previous 12 months, the program has made GBP 5.2 million in distributions and exited two investments, the European Property Invs Special Opps III, L.P. at 1.09x, and Project Little (UK regional office and industrial) at 1.96x, resulting in a combined 1.29x realised exit multiple.

New investments

The portfolio did not make any new commitments during the last 12 months, given the portfolio is in wind down. Underlying investments continue to draw upon previous commitments, consequently the program has called GBP 1.4 million in capital in the previous 12 months to Q1 2024.

Performance commentary

Real Estate Market

Global real estate investment activity continued to remain muted during 2023 driven by the elevated debt costs and huge uncertainty over property market pricing, with various degrees of decline across regions and sectors. This is reflected in a total 2023 year-on-year decline of 48% in investment volume. Valuations reflect the bifurcated pricing we observe. Office valuations remain weak, particularly in the US, where return-to-office post-covid is lagging the rest of the world, driving office vacancy rates up. However, Partners Group have identified high-quality offices, "offices of the future", located in Class A locations in central business districts maintaining their value and experiencing increased demand. In selected sectors, such as residential, industrial, and retail, occupier markets remain relatively resilient, and we find signs of pricing stabilization, particularly striking in Europe, which has been leading in terms of repricing.

Portfolio development

As of 31 March 2024, the program NAV is GBP 41.5 million. Over the last twelve months, Partners Group Red Dragon's net investment multiple decreased from 1.33x to 1.28x. This reflects the challenges facing real estate, especially in the office market. Partners Group's prudent underwriting and active management continues to support the value creation in its portfolio investments, while continuously evaluating divestment opportunities.

ESG in Real Estate at Partners Group

Achieving net zero

At Partners Group, we recognise the importance of incorporating environmental factors, alongside social, governance and commercial factors, into our overall investment and risk management framework. We have developed specific tools and processes to ensure a thorough integration of a range of environmental factors throughout the lifecycle of our investments, from sourcing through to ownership.

As a responsible investor, Partners Group has been assessing and managing climate-related risks and impacts in relation to the investments made on behalf of our clients for many years. As a firm, we are committed to working towards net zero carbon emissions across our entire organisation and managing our investment portfolio towards the Paris Agreement goals. Our group-wide Climate Change Strategy outlines our approach towards achieving these goals, highlighting how we manage climate risks and impacts across our firm and our investment portfolio. The strategy aligns with the Task Force on Climate-related Financial Disclosures' (TCFD) recommended disclosures. We have embedded this strategy into the key stages of our investment and ownership process from sourcing and due diligence through ownership to exit.

Robert Evans, Client Solutions

Wales Pension Partnership

The WPP was established in 2017 with the objective to deliver:

- economies of scale
- strong governance and decision making
- reduced costs and excellent value for money, and
- an improved capacity and capability to invest in infrastructure

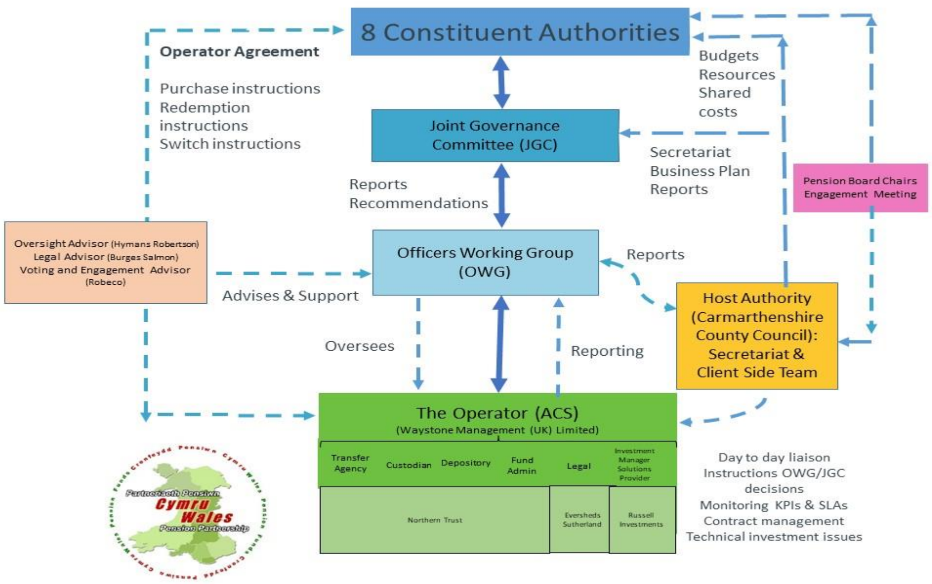
The WPP is one of the eight Local Government Pension pools nationally and is a collaboration of the eight LGPS funds in Wales. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for the Welsh funds pre-dating the Government's pooling initiative.

Collective investment management offers the potential for investment fee savings, opportunities to broaden investment portfolios, enhanced voting and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

WPP's operating model is designed to be flexible and deliver value for money. WPP appointed an external fund Operator and makes use of external advisers to bring best of breed expertise to support the running of the Pool. The Operator is Waystone Management (UK) Limited (Waystone) and they have partnered with Russell Investments to deliver effective investment management solutions and provide strong net of fee performance for all the Constituent Authorities.

Governance

The WPP details how it deals with all aspects of Governance through its Inter Authority Agreement (IAA) which was approved by all eight Constituent Authorities in March 2017. The IAA defines the standards, roles and responsibilities of the Constituent Authorities, its Members, Committees and Officers and includes a Scheme of Delegation outlining the decision-making process. In line with its belief that good governance should lead to superior outcomes for stakeholders, the WPP has put in place a robust governance structure:



The eight Constituent Authorities of the WPP are:

- Carmarthenshire County Council (Host Authority)
- City and County of Swansea Council
- City of Cardiff Council
- Flintshire County Council
- Cyngor Gwynedd
- Powys County Council
- Rhondda Cynon Taff County Borough Council
- Torfaen County Borough Council

The Constituent Authorities sit at the top of the WPP's governance structure. They retain control of all activity carried out by the WPP and remain responsible for approving the WPP's Business Plan, which outlines the WPP's budget and workplan, as well at its Beliefs and Objectives.

The Joint Governance Committee (JGC) oversees and reports on the WPP and is comprised of one elected member from each of the eight Constituent Authorities and a co-opted (non-voting) scheme member representative.

The OWG provides support and advice to the Joint Governance Committee and is comprised of practitioners and Section 151 officers from all eight Constituent Authorities.

Carmarthenshire County Council is the Host Authority for the WPP and is responsible for providing administrative and secretarial support to the JGC and the OWG, and liaising day to day with the Operator on behalf of all of the Welsh LGPS funds.

Waystone (Operator) carries out a broad range of services for the WPP, which includes facilitating investment vehicles & sub-funds, performance reporting, transition implementation and manager monitoring and fee negotiations. There is an Operator Agreement in place which sets out the contractual duties of the Operator and governs the relationship between the Operator and the WPP. The JGC and OWG, with the support of Hymans Robertson, oversee the work that Waystone carries out on behalf of the WPP. Waystone engages with the Constituent Authorities by:

- Direct engagement – attendance at annual pension committee meetings
- Indirect engagement – with CAs collectively, through the JGC and OWG

In collaboration with Waystone, Russell Investments provide investment management solution services to the WPP and they work in consultation with WPP's eight Constituent Authorities to establish investment vehicles.

Northern Trust is the Depository for the WPP ACS vehicle and provides numerous services including securities lending, fund administration, compliance monitoring and reporting.

Hymans Robertson are WPP's Oversight Advisor and their role spans oversight and advice on governance arrangements, operator services, strategic investment aspects and project management support.

Burges Salmon are WPP's legal advisors, and they provide legal advice in relation to FCA regulated funds, tax and governance arrangements, including assisting with complex procurement processes.

Robeco UK has been appointed as WPP's Voting and Engagement provider and are responsible for implementing the Voting Policy across WPP's portfolio and undertaking engagement activity on behalf of the WPP.

The WPP's beliefs are the foundation for WPP's governance framework and have been used to guide all of the WPP's activities and decision making, including its objectives and policies.

The WPP, in consultation with the Constituent Authorities, has developed a set of governing policies. In all instances the WPP's policies and procedures have been developed to either complement or supplement the existing procedures and policies of the Constituent Authorities. The WPP's key policies, registers and plans can be found on the WPP website.

Responsible Investment has been a key priority for the WPP since it was established in 2017. Various activities have been undertaken to work towards WPP's ambition of becoming a leader in Responsible Investment. Initially the focus was on formulating a Responsible Investment Policy and since then the WPP has formulated its own Climate Risk Policy and has worked with its Voting and Engagement Provider, Robeco, to agree a Voting Policy. A WPP RI Sub-Group has been established to take ownership of RI related workstreams and actions that are required to achieve the commitments made in the WPP's RI and Climate Risk Policies.

The WPP's Business Plan, Governance Manual and all other policies detailed in the chart above can be found on the WPP website:
https://www.walespensionpartnership.org/

Risk

Risk management is a critical element of WPP's commitment to good governance, the WPP has developed a structured, extensive and robust risk strategy which seeks to identify and measure key risks and ensure that suitable controls and governance procedures are in place to manage these risks. The WPP's Risk Policy has been developed in such a way that risks can be anticipated and dealt with in a swift, effective manner to minimise potential loss or harm to the WPP and its stakeholders.

WPP maintains a Risk Register which is reviewed regularly by a dedicated Risk Sub-Group which reports back to the OWG and JGC on a quarterly basis.

Training

The WPP has its own training policy and develops an annual training plan which is designed to supplement existing Constituent Authority training plans. Local level training needs will continue to be addressed by Constituent Authorities while the WPP training plan will offer training that is relevant to the WPP's pooling activities. Induction training is also provided to all new JGC members.

Pooling progress to date

The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP has made significant progress towards delivering on this objective, from the launch of the first three active equity sub-funds in 2019 through to launching the initial Private Markets Investment programmes in 2023. Alongside the Constituent Authorities existing passive investments, this means that that the WPP has now pooled 74% of assets.

As at 31 March 2024, WPP's Constituent Authorities has total assets worth £25bn, £18.5bn of which sits within the pool, see breakdown below:

Asset Class	**Managed by**	**Launch Date**	**31 March 2024 £000**	**%**
Global Growth Equity Fund	Waystone Management (UK) Ltd	February 2019	3,585,735	14.4
Global Opportunities Equity Fund	Russell Investments	February 2019	3,286,471	13.1
UK Opportunities Equity Fund	Russell Investments	September 2019	743,530	3.0
Emerging Markets Equity Fund	Russell Investments	October 2021	259,410	1.0
Sustainable Active Equity Fund	Russell Investments	June 2023	1,570,357	6.3
Global Credit Fund	Russell Investments	July 2020	1,033,734	4.1
Global Government Bond Fund	Russell Investments	July 2020	488,815	2.0
UK Credit Fund	Waystone Management (UK) Ltd	July 2020	707,817	2.8
Multi-Asset Credit Fund	Russell Investments	July 2020	732,391	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	572,982	2.3
Private Markets * • Infrastructure closed ended – GCM Grosvenor • Infrastructure open ended – IFM, CBRE and Octopus • Infrastructure direct – Capital Dynamics • Private Credit – Russell Investments • Private Equity – Schroders Capital			314,241	1.3
Passive Investments	BlackRock	March 2016	5,200,324	20.8
Investments not yet pooled			6,508,700	26.0
Total Investments across all 8 Pension Funds			**25,004,507**	**100**

* This is the drawn down value as at 31 March 2024 and does not include commitments

The Dyfed Pension Fund’s element of the table above are detailed below:

	31 March 2024 £000	**%**
Global Growth Fund	1,133,331	32.7
Sustainable Active Equity Fund	181,571	5.2
Global Credit Fund	321,959	9.3
Infrastructure and Private Credit	41,404	1.2
Passive Equities	1,095,223	31.6
Investments not yet pooled	694,074	20.0
Total Investment Assets	**3,467,562**	**100**

Pooling costs

Carmarthenshire County Council, as the Host Authority for the Wales Pension Partnership is responsible for providing administrative and secretarial support and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales. The WPP budget is included in the WPP Business Plan and approved annually by all eight Constituent Authorities.

The Host Authority and External Advisor costs (the running costs) are funded equally (unless specific projects have been agreed for individual Funds) by all eight of the Constituent Authorities and recharged on an annual basis. The amount recharged to the Dyfed Pension Fund for the financial year ending 31 March 2024 was £226k, see table below.

In addition to the running costs, there are also transition costs associated with the transition of assets into the pool, these costs can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs include both explicit and implicit costs, such as commissions, spread and impact and opportunity costs known as Implementation Shortfall. Transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their net asset value as opposed to a direct charge to the Fund.

Details of the costs incurred by the Dyfed Pension Fund in respect of the WPP are detailed below.

2022-23 £000	**WPP pooling costs**	**2023-24 £000**
21	Host Authority Costs *	22
137	External Advisor Costs *	204
0	Transition Costs (Direct) **	134
158	**Total**	**360**

* Host Authority and External Advisor costs are recharged directly to the fund

** Transition Costs (Direct) costs are shared as a proportion of total AUM.

Ongoing Investment Management Costs

The table below discloses the investment management costs split between those held by the WPP (including the passive equities) and those held outside of the WPP:

	Asset Pool				Non-Asset Pool				Fund Total	
	Direct £000s	**Indirect £000s**	**Total £000s**	**bps**	**Direct £000s**	**Indirect £000s**	**Total £000s**	**bps**	**£000s**	**bps**
Management Fees	285	4,705	4,990	18	1,108	1,424	2,532	36	7,522	54
Asset pool shared costs	226	0	226	1	0	0	0	0	226	1
Transaction costs	0	2,577	2,577	9	0	221	221	3	2,798	12
Custody	0	195	195	1	41	0	41	1	236	2
Other	0	6	6	1	0	0	0	0	6	1
Total	**511**	**7,483**	**7,994**	**30**	**1,149**	**1,645**	**2,794**	**40**	**10,788**	**70**

Asset Allocation and Performance

Asset Category	Opening Value		Closing Value		Performance (1 year)	Index
	£000s	**%**	**£000s**	**%**	**%**	**%**
Pooled Assets						
UK Passive	562,035	18.0	433,418	12.5	8.38	8.43
European Passive	91,957	2.9	77,312	2.2	13.14	13.67
EM Passive	282,817	9.0	197,467	5.7	5.06	5.86
ACS World Low Carbon*	311,069	9.9	387,026	11.2	22.97	22.18
Global Growth	978,714	31.2	1,133,331	32.7	15.80	20.60
Sustainable Active Equity	0	0.0	181,571	5.2	n/a	20.60
Fixed Income Active	226,700	7.2	321,959	9.3	4.38	4.87
Infrastructure	0	0.0	27,460	0.8	n/a	n/a
Private Credit	0	0.0	13,944	0.4	n/a	n/a
Pooled Assets	**2,453,292**	**78.2**	**2,773,488**	**80.0**		

Assets not yet pooled						
Property	407,472	13.0	409,627	11.8	(0.72)	(0.70)
Alternatives	124,097	4.0	130,905	3.8	3.52	(1.20)
Active Equities	113,904	3.6	139,707	4.0	22.65	22.32
Cash	27,134	0.9	13,835	0.4	0.65	n/a
Index Linked	10,781	0.3	0	0.0	n/a	n/a
Non-Pooled Assets	**683,388**	**21.8**	**694,074**	**20.0**		
Total Assets	**3,136,680**	**100**	**3,467,562**	**100**		

Objectives 2024-25

Work has progressed in formulating WPP's Real Estate requirements and the optimal means of implementation. With the assistance of bfinance, the procurement process for appointing investment managers is underway with the announcement due to take place in August 2024 and the investment programmes due to launch in 2024-25.

The Sustainable Active Equity Sub-Fund was also launched in 2023-24 and this sub fund, along with the Private Market investment programmes have incorporated Responsible investment in their allocation and appointment. With further programmes in development, WPP is now working closely with its service providers to develop a common reporting framework to allow the consistent disclosure of information to its stakeholders.

During 2023-24, the WPP published its third annual Stewardship Report, remaining a signatory to the UK Stewardship Code and published its first All-Wales Climate Report (AWCR). The AWCR assessed climate exposures across all the Welsh funds and the recommendations that came out of the report are now being progressed, including the evolution of WPP's investment offerings (in particular within the passive allocations and within fixed income) and the implementation of a climate framework.

WPP's existing Oversight Advisor and Voting & Engagement provider contracts come to an end on 31 December 2024 and 31 March 2025 respectively. Work is underway with the contract re-tenders with both appointments due to be made by the end of this calendar year.

There will be focus on reviewing existing WPP policies, in particular the RI focused policies, evolving the Stewardship Policy and incorporating an escalation strategy. Training also continues to be a key area of focus and the WPP will continue to provide timely and relevant training facilitated by the pool for the benefit of its wider stakeholder groups.

Securities Lending

Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust with all costs for running the securities lending programme taken from Northern Trust's share of the fee split. A minimum of 5% of the nominal quantity of each individual equity holding is held back and a maximum of 25% of total AUM is on loan at any one time. A proxy recall service was implemented in December 2023.

Total revenue of LF Wales during 2023/24 was £1,077,100 (gross) / £915,594 (net) with £473,209,901 out on loan as at 31 March 2024. Dyfed's share of this income was £102,800 and £63.3m was out on loan as at 31 March 2024.

More detailed information can be found in WPP's Annual Return which is published on the WPP website - [Wales Pension Fund | Home (walespensionpartnership.org)]

PIRC

How Did the LGPS Perform?

- The average fund delivered a return of 9.2% in the latest year.
- Asset class results strongly diverged and the range of results was wider.
- Larger funds underperformed on average.
- 10 of the funds in the upper quartile of the Universe were London Boroughs, four were in the WPP and two belonged to the Access pool.
- Longer term results remain well ahead of inflation and funds' actuarial assumptions.

The Latest year

- Equities delivered over 1^% for the year while most other asset classes produced low single digit returns.
- Asset allocation was, therefore, a key driver of relative performance. Funds with a high equity allocation outperformed their more risk averse peers.
- However, for the second year in succession most active equity managers failed to add value.
- Bond performance was mixed. with diversified strategies comfortably outperforming government issue.
- Returns from illiquid assets were relatively flat with private debt performing relatively strongly.
- Property saw a further strong decline in values over the year.

Longer Term Results

- The best results over the longer term have been delivered by equities.
- Over the medium term private equity has delivered the best returns, delivering results around 4% above quoted equity.
- Property performance has been poor over the recent past.
- Bonds, the worst performing of the major asset classes, continue to deliver a return below CPI over the last ten years.

Fund Structures

- Whilst significantly reduced over the last decade, equities remain by far the largest component of almost every fund.
- The move into alternative assets continues with infrastructure and private equity now at broadly the same weighting as property in the average fund.
- Private credit continues to grow as a preferred area for investment whilst diversified growth funds have lost favour after largely failing to meet performance expectations.

Fund Performance

Performance Relative to Benchmark Latest Year

- Performance relative to other funds will depend on two factors:
    - The benchmark set
    - Performance relative to that benchmark
- While pooling won't impact the former it should now be having an effect on the latter.
- In the latest year very few funds managed to outperform their strategic benchmark.
- Whilst the Dyfed Fund underperformed by just over 1% this was a better relative outcome than many of its peers experienced last year.

What Drove Performancein 2023/24?

- With the asset allocation, particularly the high equity commitment, the Fund had in place it would have been expected to deliver a return 2.4% above the average.
- However, around 1% of this benefit was lost through the relatively poor performance from the active equity manager and from the underperformance of the passive equity fund because of the high UK equity component within its benchmark.

Longer term Performance

- Recent performance has been mixed but the Fund remains close to average over the last five years.
- Longer term the Fund is well ahead of the Universe average and ranks 4th percentile over the last 30 years.

Risk and Return – Last five years

- Over the last five years there has been no reward for accepting additional volatility.
- Your Fund has achieved an average level of return over the period but has not been rewarded for the additional volatility that it has experienced through its relatively high equity allocation.

Risk and Return – Last ten years

- Whilst outcomes vary across funds, in aggregate over the last ten years there has been some reward for accepting volatility. Funds with a higher equity exposure are likely to have performed well.
- Over the last ten years your Fund has achieved a return of 8.1% pa, in the top quartile of results.
- The Fund has experienced higher than average volatility but this has delivered a better than average return over this period

Karen Thrumble, Local Authority Pension Performance Analytics (PIRC)

Independent Investment Adviser

Let's take a look at factors that have affected pension fund investments during 2023-24.

Firstly, let's take the remarkable ongoing strength of the world economy, in particular the US. At the outset of the year, most forecasters were expecting some kind of economic slowdown in 2024, given that the costs of new financing had, for most borrowers, more than doubled. While some European economies, including the UK, flirted with recession (2 successive quarters of negative GDP growth) the US and most emerging economies have remained very robust – US GDP growth was 3.4% in 2023. In particular, labour markets have remained very strong, with unemployment near record lows, so consumer spending has remained strong in most economies. The US has remained stronger than Europe for several reasons: it has not suffered from the increased energy costs, experienced as Europe weans itself off Russian gas, and indeed the US has been a net beneficiary of increased LNG exports ; the US government has been running a bigger deficit, funding, for example, green subsidies in the Inflation Reduction Act ; and US consumers have been spending most of the near 10% of GDP in excess savings accumulated during the Pandemic, whereas European savers have not.

However, some slowdown remains likely : the rise in interest costs has yet to feed fully into the economy (only c. 50% of UK mortgages and only about ¼ of global corporate bonds have reset since 2022) ; government debt levels are high, and rising interest costs will add to the pressure on them to reduce fiscal stimulus ; and the Pandemic consumer piggy-bank is gone (in the US, anyway!). And there are some signs of rising credit stresses (credit card delinquencies, defaults on high yield bonds), particularly in the US.

Secondly, oil prices are much the same as they were a year ago, having peaked just over $90 per barrel during the winter. This is a far cry from the panic of 2 years ago, despite the high level of tension in the middle east and Russia, and despite a strong global economy. Part of this has to do with the ineffectiveness of sanctions against Russian and Iranian oil exports, but a lot has also to do with the significant rise in North America (US and Canada), which now produces nearly 25% of the world's oil, more than the next 2 (Saudi and Russia) combined! And the growing share of renewables in the energy mix is starting to take some of the pressure off oil demand – good news!

Finally, inflation : this was expected to fall back faster, as the 2022 price shock to energy and food costs worked out of the numbers, but has remained stubbornly high (still over 3% in UK in March). This is largely due to strong wages growth, as well as the lagged impact on, for example, housing costs. While inflation is expected to come back down, the early expectations of a rapid fall have been disappointed, limiting central banks' ability to cut interest rates. So interest rates are likely to remain above 4% for some time, well above the very low levels we had become accustomed to . . . and at levels which we considered "normal" before the 2008 financial crisis, and may come to do once again!

Inflation and interest rates both have major impacts on the Fund, affecting both the investment returns and the cost of pensions – the so-called "liabilities" side.

Investment returns: global equity markets had a very strong year, returning 20.6%, especially in the second half, as expectations of a recession receded. Japan was the best-performing market (+22.7%), driven by improving corporate governance, followed closely by the US, driven very largely by the "Magnificent 7" large cap technology stocks. The UK (+8.4%) and Emerging Markets (+5.1%) lagged, but nonetheless outperformed corporate bonds (+4.9%). Long government bonds were the real laggards, with negative returns (-3.7%) : your Fund holds virtually none of these, although the rising rates which drove their poor return did impact some assets which your fund does hold, like UK property (-0.7%)

Liabilities : with limited change in interest rates over the year, inflation has had the bigger impact. Your pensions are inflation-linked, so typically rose by 6.7% last year, making it critical that the Fund have adequate cash flow from investments, as contributions are set until 2026, while pensions are adjusted every year.

I am pleased to say the Dyfed Pension Fund has maintained its strong funding position, and continues to generate sufficient current cash flow to pay pensions, without having to sell any assets. The Fund has produced an overall return of +10.9% during the year, 6.4% p.a. over the last 5 years, and 8.1% over the last 10 years. This is in line with its composite benchmark index over the medium term, and comfortably ahead of the 4.6% p.a. required over the long term by the March 2022 actuarial valuation. As a result, the Fund is expected to be approximately fully funded (ie sufficient assets to pay future pensions, given current contribution rates) at March 2024. This performance puts it ahead of the median LGPS Fund (10.6% over 1 year, 7.4% p.a. over 10 years), and ranking it still in the top quartile over the 10 years. This strong performance was largely driven by the Fund's significant allocation to equities.

Your Pension Committee has been focussed on ensuring the Fund can deliver long term, sustainable returns, and I would like to highlight 2 areas, where it has made material changes from an investment perspective.

Managing overall investment risk exposure. Following the triennial actuarial valuation in 2022-23, your Pension Committee conducted a review of the Fund's Strategic Asset Allocation during this year. This is an important exercise, to ensure that the Fund's expected investment returns, risk profile, and cashflow generation, remain aligned with the actuary's targets, ensuring that the Fund continues to be able to pay all pensions. As a result of this review, the Pension Committee decided to fund a 5% allocation to Private Credit – lending at variable rates to mid-market companies, which adds return and income, and diversifies our other fixed income assets - as well as continuing to fund it's 5% allocation to infrastructure. Both of these will be invested via WPP's investment vehicles, will take c.2 years to be fully invested, and are funded from the regional equity holdings. The Pension Committee also decided to take some profits in its equity holdings, reallocating £80m to WPP's Global Credit Fund. This change helped to diversify (reduce) the risk in equities (which nonetheless remain at over 60% of the portfolio), have some inflation sensitivity (especially infrastructure) and offer a strong yield, contributing to the income available to meet the increasing cash demands of the Fund, as it matures.

Further progress in climate risk control. Managing exposure to climate risk in your portfolio is not only aligned with our objectives as a society, but also makes good investment sense. Your Pension Committee has continued to work to ensure the Fund's alignment with:

Governance : With WPP now accounting for nearly 50% of total Dyfed Pension Fund assets, these are now routinely covered by Robeco's (the Stewardship advisor) regular engagement activity. Climate-related engagement typically represents around a half of all activity.
Investments : The transitions described above were funded from some of the more carbon intensive regional equity holdings (eg. UK, Emerging Markets) and so, assuming no changes in the Carbon intensities of individual funds, would have resulted in a 5% reduction in the Dyfed Pension Fund's overall equity weighted average Carbon intensity.
Measurement : The Fund has targeted reducing its Carbon-intensity in line with at least 7%p.a. required by the Paris Agreement. The asset allocation changes described above and ongoing work done by the underlying investment managers resulted in a 18% reduction in the weighted average Carbon intensity of the Fund over the year, leaving it well ahead of its objective over the 3 ½ years since its September 2020 baseline.

In conclusion, the Dyfed Pension Fund has maintained its strong position, with a solid funding level and an investment strategy which not only takes advantage of the good covenants of our employers, keeping employer contributions at reasonable levels, but also takes care to ensure the Fund invests in a sustainable manner, for the benefit of all stakeholders.

Adrian Brown, Independent Investment Advisor

Section 3 - Fund Administration Report

Introduction

The Pension Fund is governed by Regulations issued by the Department for Levelling Up, Housing and Communities (DLUHC). Under the provisions of the Local Government Pension Scheme (Local Government Reorganisation in Wales) Regulations 1995, the administering authority function was transferred to Carmarthenshire County Council. While employee contributions and benefits payable are set by Regulation, employer contributions are actuarially assessed at each valuation and areas of discretion are subject to local policies determined by each participating Fund Employer.

The scheme changed from being a final salary scheme to a Career Average Revalued Earnings (CARE) scheme on 1st April 2014. If you were an active member of the 2008 Scheme as at 31 March 2014, you will have automatically transferred to the LGPS 2014 on 1 April 2014.

The main provisions of the LGPS 2014 scheme are:

- Benefit Accrual - From 1 April 2014, you will have a pension account per employment, which will be credited annually with the amount of pension that you have built up from 1 April to 31 March each year. This is based on your actual pensionable pay from 1 April to 31 March and a 1/49th accrual rate. Your pension account will then be re-valued each April in line with the Consumer Price Index (CPI). Your membership up to 31 March 2014 will be protected and continue to be calculated on a final salary basis when you retire with reference to your pensionable pay upon retirement and under the 2008 definition of pensionable pay.
- Tax free Lump Sum - individuals may convert an element of pension into an additional tax free cash lump sum, on the basis of £12 for each £1 of pension. Benefits accrued up to and including 31st March 2008 will automatically provide a Tax Free Cash Lump Sum at retirement.
- 50/50 Option - you have the option to pay half your normal contribution, to receive half the level of pension in return during this period. However, you will retain full ill health and death cover during this time.
- Normal Pension Age (NPA) - your NPA will be linked to your State Pension Age (SPA), therefore any future changes in your SPA will impact on your NPA.
- Enhanced pension if you retire on the grounds of ill-health.
- Death in Service - a Tax Free Cash Lump Sum of three times the annual salary payable to the estate. In addition, Spouse's, Civil Partners and Dependent's benefits are payable.
- A cohabiting partner’s pension may also be payable if certain conditions are met.
- Death after retirement - Spouse's Pension, Dependents Pensions and in certain circumstances a Lump Sum Death Grant.
- Transfer of Pension Rights to either a new employer’s approved scheme or to an approved personal pension plan.
- Employees who leave with more than 2 years service (or less than 2 years service where a transfer payment has been received) are entitled to a Preserved Inflation Proofed Pension payable at Normal Retirement Age.
- Additional pension contributions may be paid to increase pension benefits.

Pensions Increase

Pensions are reviewed annually each April under the Pensions Increase Act as prescribed by Social Security legislation in line with the upgrading of various state benefits and is determined by the percentage increase in the Consumer Price Index (CPI) to the preceding September.

This year, pensions were increased by 6.7% from 8th April 2024 and represents the increase in the consumer price index for the 12 month period to the 30th September 2023. Pensions increase is normally applied to pensioners who are age 55 or over, or have retired at any age on ill-health grounds or are in receipt of a spouse's or child's pension. A pensioner who retired during the financial year will have a proportionate increase applied.

Local Government Pensioner pay dates for 2024/25 are as follows:

This year, pensions were increased by 6.7% from 8th April 2024 and represents the increase in the consumer price index for the 12 month period to the 30th September 2023. Pensions increase is normally applied to pensioners who are age 55 or over, or have retired at any age on ill-health grounds or are in receipt of a spouse's or child's pension. A pensioner who retired during the financial year will have a proportionate increase applied.

30 April 2024	31 May 2024	28 June 2024
31 July 2024	30 August 2024	30 September 2024
31 October 2024	29 November 2024	24 December 2024
31 January 2025	28 February 2025	31 March 2025

National Fraud Initiative

The Pension Fund continues to participate within the anti-fraud initiative organised by the Wales Audit Office where data provision includes Employee and Pensioner Payroll and Occupational Pension details. Such information is compared with other public body data which helps ensure:

- The best use of public funds
- No pension is paid to a person who has deceased, and
- Occupational Pension and employment income is declared by Housing Benefit, Universal Credit and Council Tax Reduction Scheme claimants.

Legislative update

Cohabiting Partners' benefits - Scheme regulations provide that a survivor's pension will automatically be payable to a cohabiting partner without the need for the scheme member to have completed a form nominating them to receive a survivor's pension. In order to qualify, the following regulatory conditions must apply to you and your partner:

- Individual A is able to marry, or form a civil partnership with B,
- A and B are living together as if they were husband and wife or as if they were civil partners,
- Neither A nor B is living with a third person as if they were husband or wife or as if they were civil partners, and
- Either B is financially dependent on A or A and B are financially inter-dependent.

Further information and qualifying criteria can be obtained by either contacting the pensions section or via the website. It is understood that the Government intend to make further changes to survivor benefits to ensure equality requirements are met.

Employee Contribution Rates

The LGPS2014 amended the method of assessing your contribution rate from 'full time equivalent' pensionable pay to your '**actual** pensionable pay'. Pensions contributions will now also be payable on overtime. Responsibility for determining a member's earnings and contribution rate, including notification requirements, falls on the Employer. Where a member holds more than one post with an Employer, a separate assessment will be undertaken for each post held.

The earnings bands and contribution rates applicable from April 2024 are as follows:

Contribution table 2024/25			
Band	**Actual pensionable pay for an employment**	**Contribution rate for that employment**	
		Main section	50/50 section
1	Up to £17,600	5.5%	2.75%
2	£17,601 to £27,600	5.8%	2.9%
3	£27,601 to £44,900	6.5%	3.25%
4	£44,901 to £56,800	6.8%	3.4%
5	£56,801 to £79,700	8.5%	4.25%
6	£79,701 to £112,900	9.9%	4.95%
7	£112,901 to £133,100	10.5%	5.25%
8	£133,101 to £199,700	11.4%	5.7%
9	£199,701 or more	12.5%	6.25%

Statutory Underpin protections

Protections are in place if you are nearing retirement to ensure that you will get a pension at least equal to that which you would have received in the scheme had it not changed on 1 April 2014. This protection is known as the 'underpin'.

The underpin applies to you if you were:

- paying into the Scheme on 31 March 2012 and,
- you were within 10 years of your Normal Pension Age on 1 April 2012,

- you haven't had a disqualifying break in service of more than 5 years,
- you've not drawn any benefits in the LGPS before Normal Pension Age and
- you leave with an immediate entitlement to benefits.

The Pensions Section will automatically carry out the underpin calculation when you leave the Scheme. Recalculation of pension benefits for those that have already retired will be automatically processed in accordance with LGA guidance. You do not need to do anything.

The Rule of 85

The rule of 85 protects some or all of your benefits from the normal early payment reduction. To have rule of 85 protection you must have been a member of the LGPS on 30 September 2006. The rule of 85 is satisfied if your age at the date when you draw your pension plus your Scheme membership (each in whole years) adds up to 85 years or more.

If you have rule of 85 protection this will continue to apply from April 2014. The only occasion where this protection does not automatically apply is if you choose to voluntarily draw your pension on or **after age 55 and before age 60 without** your employer's permission.

For a more detailed understanding of your own position you should log in to 'My Pension Online' or contact the pension section directly.

Tax Changes

In the March 2023 Budget the Chancellor announced that the Lifetime Allowance (LTA) for tax-privileged pensions would be removed in its entirety from 2024/25. This is the total value of all pension benefits you are able to build without triggering an excess benefits tax charge. It should be noted that the maximum tax free cash you are able to receive was fixed at £268,275 and upon retirement you are required to declare all non LGPS pension benefits in payment, or due to come into payment, so that your LTA maximum tax free cash can be assessed. Further information on how these changes may impact upon you is detailed on the HMRC website. Please note that pensions staff cannot give financial or personal taxation advice.

You will recall from April 2023 the Annual Allowance limit increased to £60,000 and it remains at this value for 2024/25. To calculate the value of any annual increase in the LGPS you need to work out the difference in the total value of any accrued pension benefits between two 'pension input periods', usually April to March. This is done by multiplying the value of the increase in pension by 16 and adding the increased value of any lump sum and AVC fund. Your 2024 Annual Benefit Statement will contain further information regarding the impact of the annual allowance on your pension accrual in the LGPS. The outcome of this calculation must then be added to any increases in pension entitlement that may arise from any other pension arrangement an individual may have to ascertain whether the annual limit has been breached.

Councillor Pensions

The LGPS 2014 has not impacted on the provisions for elected member pensions as their arrangement continues:

- on a career average revalued earning basis
- with contribution rates at 6%
- benefits accruing on a 1/80^{ths} basis for Pensions and a 3/80^{ths} for tax free lump sum.

Publications

Communications Policy Statement

The Dyfed Pension Fund strives to provide a high quality and consistent service to our customers in the most efficient and effective manner possible, particularly in an ever changing pensions environment. There are 5 distinct groups with whom the fund needs to communicate:

- Scheme Members
- Prospective Scheme Members
- Scheme Employers
- Other Bodies
- Fund Staff

The policy document sets out the mechanisms which are used to meet those communication needs and is subject to periodic review. The Dyfed Pension Fund aims to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one method of communication as considered appropriate and meet all regulatory requirements regarding provision of Scheme and related information. This has been further enhanced with the introduction of 'My Pension Online' for active, deferred and pensioner members of the scheme. This is an internet based application that enables members to securely access and update their pension information online via the Fund's website. By developing its e-communication, the Fund aims to improve its service delivery as well as reducing printing & postage costs and its carbon footprint.

Administration Strategy

In accordance with the Local Government Pension Scheme Regulations the Pension Fund has prepared an Administration Strategy. The objective of the strategy is to clearly define the roles and responsibilities of the Dyfed Pension Fund and the participating employers under the Regulations.

Scheme Administration Statistics

Number of Employers

A full schedule of employers (as at 31st March 2024) who either participate or have a relationship with the Dyfed Pension Fund is attached to the Statement of Accounts later in this report. The table below summaries the number of Scheduled and Admitted employers.

	Active	Ceased	**Total**
Scheduled	23	17	**40**
Admitted	32	25	**57**
Total	**55**	**42**	**97**

Scheme Membership

The table below illustrates the increase in scheme membership over the last 3 years.

Volume of members within the fund for last 3 years

	31/03/2022	31/03/2023	31/03/2024
Active	18,643	19,355	19,619
Deferred	16,214	16,373	16,472
Pensioner	15,342	16,009	16,721
Undecided Leaver	2,536	2,818	2,992
	52,735	**54,555**	**55,804**

The table below shows the fund has performed against its benchmark:

CIPFA Process	Benchmark	% Complete Within Legal Target
Deaths – Initial letter acknowledgement death	95%	99.50%
Deaths – Letter notifying amount of dependant's benefit	95%	96.20%
Deferment – calculate and notify deferred benefits	95%	95.00%
Divorce quote – Letter detailing cash equivalent value and other benefits	95%	95.40%
Divorce settlement – Letter detailing implementation of cash equivalent value and application of pension sharing order	95%	No cases
Joiners – Send notification of joining the LGPS to scheme member	95%	99.10%
Refund – Process and pay a refund	95%	98.70%
Retirements – Letter notifying actual retirement benefits	95%	99.00%
Retirements – Letter notifying estimate of retirement benefits	95%	99.60%
Retirements – process and pay lump sum retirement grant	95%	99.90%
Transfers in – Letter detailing transfer in quote	95%	86.90%
Transfers out – Letter detailing transfer out quote	95%	94.90%

Analysis of leavers during 2023-24

Category	2023-2024
Refund of contributions	354
Transfers to other schemes	123
Death in Service	29
Ill health Retirements	62
Early / Normal Retirement	626
Redundancy Efficiency Retirements	91
Flexible Retirements	44

Late Retirements	145
Opt outs	143
Preserved Benefits	786
Other leavers*	3,273
Number of deferred members re-entering the scheme	152
Total	**5,828**

***The majority of these cases are in respect of members deemed to be 'Next Day Transfers'.

Completed and Outstanding LGPS Cases	2023-2024
Number of Completed cases	27,464
Number of Outstanding cases	2,034

Data Quality Scores and Data Improvement Plan

The Fund's initial Data Quality review took place in December 2017 and a Data Improvement Plan was subsequently created. The improvement plan primarily aims to address the key issues identified in the Fund's Data Quality review and demonstrates the appropriate steps the Fund is taking to tackle the issues raised in the review and how it will improve the data held.

A Data Quality review is undertaken annually. The improvement plan has been revised and addresses the key issues identified in the Fund's Data Quality review which took place in December 2023.

The data quality review undertaken in December 2023 again split the assessment of data held between two data categories:

- Common Data
- Scheme Specific Data

Tests were undertaken on the data held by the Fund on its Scheme members to identify whether data is present and accurate.

The Common Data items are specific in the Pensions Regulators guidance however, the Scheme Specific data items are not prescriptive but is generally data key to running the Scheme and meeting legal obligations. The Pensions Regulator does not set the data items for the Scheme Specific data as it is deemed to be identifiable and relevant to each individual Pension Scheme. However, illustrative examples of the data required to running a Pension Scheme has been published by the Pensions Regulator and these examples were taken into consideration when identifying the Scheme Specific data to be checked. Below is a table with the LGPS Data Quality scores which are reported to the Pensions Regulator.

LGPS Data area	Common data	Scheme specific data	Aim
December 2023 data score	99.00%	99.10%	100%
December 2022 data score	99.00%	99.38%	100%
December 2021 data score	99.20%	99.20%	100%
December 2020 data score	99.10%	99.20%	100%
December 2019 data score	98.30%	98.10%	100%
December 2018 data score	96.50%	95.80%	100%
December 2017 data score	94.50%	85.30%	100%

Administration Cost per member (SF3 costs table)

The table below compares the administration cost per scheme member with that of the All Wales average from the SF3 return.

Year	Dyfed Pension Fund Cost per member	All Wales Average
2022-23	£29.86	£33.30
2021-22	£28.06	£32.82
2020-21	£27.62	£30.91
2019-20	£26.36	£32.04
2018-19	£25.14	£30.04
2017-18	£22.71	£27.46
2016-17	£20.73	£28.10
2015-16	£27.45	£28.28
2014-15	£21.66	£28.36
2013-14	£20.94	£30.20

The Administration Team

In addition to the primary role of administering the Local Government Scheme and its provisions, the Pension Section provides, by agreement, similar services to the Chief Constable and Chief Fire Officers administering the Police and Fire-fighter's Pension Schemes for Dyfed Powys Police, Mid & West Wales Fire and Rescue Service, North Wales Fire and Rescue Service respectively.

The pension's team has 40 permanent FTE staff to administer the above pension schemes. During the year to 31st March 2024, the following staff turnover occurred; 6 staff left the team and 10 staff joined the team.

The permanent members of staff dedicated to the LGPS is 24 FTE. As at 31st March 2024, there were 55,804 LGPS members of the Dyfed Pension Fund which equates to 2,325 scheme members per pensions administration team member. The average number of cases completed per team member during the year was 1,144.

Your Pension Section:

In addition to implementing legislative changes by set timescales. Your Pension Section additionally:

- Notified employers of their reassessed contribution rates applicable from 1st April 2024 as a result of the Actuarial Valuation exercise.
- Increased the number of registered ‘My Pension On-line’ users by actively encouraging scheme member take up during telephone calls. This internet based application enables you to securely access and update your own pension record(s). The initiative is designed to provide statutory information and improve service delivery whilst also reducing printing & postage costs and the funds carbon footprint.
- Ensured employers formulate, publish and keep under review a policy statement in respect of their discretions under the LGPS 2014
- Continued with their internal staff training programme. Alongside its training for participating Fund Employers, this investment is viewed as key for the effective delivery of pension administration services in an ever changing regulation environment and increasing stakeholder expectations.
- Continued with the production and issue of Annual Benefit Statements (ABS) for Deferred (individuals who have left the Scheme with a future entitlement to pension benefits) and Active (contributing) Scheme members. The ABS production was undertaken on an all Wales Pension Funds basis, improving both cost and consistency with the Dyfed Pension Fund taking the lead.
- Continued with the 'Life Certificate' exercise aimed at pension payments paid by cheque in addition to also undertaking monthly mortality checks on UK based pensioners.
- Continued to utilise Western Union in order to undertake mortality checks on overseas pensioners.
- Continued with the production of a more detailed and personalised update for each pensioner outlining the increase in pensions arising from annual pension increase awards.
- Participated in the Audit Commission's - National Fraud Initiative exercise as outlined above.
- Continued to engage with colleague LGPS Fund authorities in Wales to examine available partnership opportunities and share best practice in Scheme administration.
- Ensured model fund data was received by the Government Actuary’s Department
- Through the IAS19 exercise ensured that each employer who had to comply with these pension accounting requirements received their results and disclosure needs by their required account closure timescales.
- Continued with the GMP Reconciliation exercise which had to be undertaken in respect of all scheme members to ensure HMRC do not have incorrect information on their records. However, HMRC continue to have outstanding data queries which have yet to be returned to the Dyfed Pension Fund.
- Implemented i-connect for additional employers to facilitate the direct transfer of data from employer payroll systems directly into the pensions system.
- Undertook a Data Quality exercise for the Local Government, Police and Firefighter Pension Scheme in accordance with The Pensions Regulator’s Code of Practice 14 requirements and reported findings to both the Pension Committee and The Pensions Regulator. A Data Improvement Plan was created to address issues identified.
- Commenced work on the reconciliation of pension records as a result of the McCloud Judgement.

Looking Forward

The pensions section anticipates yet another busy year, as in addition to their core functions, your Pension Section intends to:

- Increase the number of registered 'My Pension On-line' users by actively encouraging scheme member take up during telephone calls.
- Respond to consultations on scheme arrangements and implement changed structures as a result of amending legislation.
- Continue to liaise with all scheme employers to ensure appropriate processes and procedures are in place in order to comply with auto enrolment requirements.
- Continue to undertake data validation and integrity checks for data which is issued by HMRC in respect of the GMP Reconciliation exercise in order that the correct state benefits are recorded and paid.
- Continue to work with all scheme employers to ensure that clean and accurate data is consistently provided.
- Undertake a data quality exercise in accordance with The Pensions Regulator's Code of Practice 14 requirements and report findings to both the Pension Committee and The Pensions Regulator. Update and review the Data Improvement Plan.
- Implement i-connect for further employers which facilitates the direct transfer of data from employer payroll systems directly into the pensions system.
- Following amendment of LGPS Regulations as a result of the 'McCloud' Judgement, continue with the reconciliation of pension records.
- Comply with the legal requirement to participate in Pensions Dashboards by undertaking preparatory work for the implementation and on-going data matching requirements.

The inherent complexities and retrospective protections that apply to the Local Government, Police and Fire schemes remain and it is anticipated these will further increase due to the application of the McCloud Judgement coupled with the implementation of Pensions Dashboard requirements.

I would like to take the opportunity to record my sincere thanks to all staff involved in Scheme Administration not only for the work done over the last year but also for their enthusiasm to embrace change and meet ever changing regulatory and stakeholder requirements.

My Pension On-line

What will My Pension On-line allow me to do?

Whether you're an active, deferred or pensioner member of the Scheme, you will be able to view and update your basic details, access relevant forms and receive all publications immediately, including your annual benefit statement, newsletters and factsheets. If you're an active member, you will be able to perform benefit calculations at your convenience, so that you can actively plan for your retirement.

If you're a pensioner, you will be able to view your pension details, submit any change of bank or building society account details or change of address, view your payment history and tax code, your payment dates, payment advice slips, P60 statements and pension increase statements.

How do I register for My Pension On-line?

Registering for My Pension On-line couldn't be easier, all you need to do is click here to request an activation e-mail.

Section 4 - Actuarial Report

As I reported last year, the headline funding level of the Fund was a strong surplus at the 2022 valuation and the outlook since then (from a pension scheme funding perspective at least) continues to remain positive. The next triennial funding valuation of the Dyfed fund is due as at 31 March 2025, with any new contribution rates coming into effect on or after 1 April 2026 and employers may already have one eye on this date thinking: “what will be the impact for me”?

Of course, markets can be volatile, and it is very difficult to forecast in advance how the land may lie at 31 March 2025. In addition, the impact on different employers can vary greatly depending on profile. What we can do, however, is talk in general terms about the position at whole of fund level at time of writing (Spring 2024).

Funding levels for employers continue to be buoyed by the return seeking, low carbon investment strategy adopted by the Fund. In addition, as well as seeing favourable investment returns, we are now beginning to be able to assess the impact on long term life expectancy from the 2020 pandemic. At the 2022 valuation, it was too early to assess how the COVID19 virus and associated lockdowns would feed through into long term life expectancy. The Continuous Mortality Investigation (CMI) of the Institute and Faculty of Actuaries is now beginning to piece together the three years or so of post pandemic death data in England and Wales. We will be carrying out a full mortality analysis as part of the 2025 valuation; this will be specific to the Dyfed Pension Fund. However, the data arising from the CMI is suggesting that the rate of general life expectancy improvements is slowing down versus that previously thought. So although life expectancy continues to get longer, it is doing so at a rate slower than was previously “baked-in” to our mortality models.

At face value, this is likely to lead to a reduction in Fund liabilities, as, on average, pensions will not need to be paid for as long as previously assumed by the model. So, as well as markets leading to improved funding positions, the impact of slower life expectancy improvements will also serve to increase the funding position slightly.

At this juncture, it is probably worth emphasising that whilst models provide a very useful base for objective decision making, they do also have their limitations and it’s important to recognise this – especially those used to model financial and demographic experience over the 80+ future years of a Local Government pension scheme. Relying solely on models can be risky, especially in an ever changing world, and they are notoriously limited in predicting “Black Swan” type (i.e. previously “unseen”) events or even very rare events like a pandemic or war etc. Overly optimistic models can lead to underestimating contributions, while being overly pessimistic can create budget pressures. Actuaries apply prudence to manage volatility and uncertainty with a view to assisting contribution stability. We apply our expert judgement and experience to add value to the raw model output to ensure the Fund and its employers have a sound footing for decision making. The economic environment has changed significantly since 2022, raising doubts for some about the usefulness of existing models and in these times of increased uncertainty, simple models can be more helpful. This is because transparency, understanding, and judgment are crucial in model calibration and interpretation, and this can be more difficult for very complex and potentially therefore opaque models.

A continued area of focus at the 2025 valuation will be in relation to the potential implications of climate change on pension scheme funding and reviewing prudence margins in light of this key systemic risk. In addition to the very important environmental consequences and humanitarian impacts, the economic impacts of climate change have potential consequences for Fund funding levels, investment returns and affordability of contributions. These are highly inter-correlated and therefore it is an important consideration for funding strategy noting also the very long-term nature of pension scheme liabilities.

Of course, a lot can happen between now and 31 March 2025 and who knows what is round the corner…but I suspect these will be the types of considerations at the next valuation.

Clive Lewis, **Actuary, Mercer**

Section 5 – Pension Board Annual Report

This report sets out the work carried out by the Dyfed Pension Fund Pension Board during the financial year 2023-24 to discharge its role, in support of Carmarthenshire County Council, in managing the Dyfed Pension Fund. The Board met on 4 occasions during the year on a hybrid basis with some members present in the room and others online.

The Board was set up with effect from April 2015 under new arrangements for the governance of Local Authority Pension Funds. The purpose of the Board to assist Carmarthenshire County Council (as the scheme manager) in the management of the Local Authority Pension Scheme (LGPS), and to provide oversight and challenge. The terms of reference for the Board are available on the Fund website.

The Board is comprised of 3 employee and 3 employer representatives together with an Independent Chair. This is line with the regulations requiring equal employee and employer representation. Details of the members of the Board are shown later in this report. The Board is not a decision making body and can only provide advice and comment on the management of the Dyfed Pension Fund. For this arrangement to be successful it is important that the Board carries out its responsibilities in a positive and constructive way.

In my capacity as Chair I have regular contact with officers at Carmarthenshire County Council to ensure that the Board addresses the issues necessary to discharge its responsibilities. Councillor Elwyn Williams as Pension Committee Chair is also invited to attend each Pension Board meeting. I am also invited to attend each Committee meeting and now submit a report to the Committee outlining the issues discussed and raising any issues of concern. This helps to strengthen the links between the Board and Committee and the overall governance of the Dyfed Pension Fund.

The Board held meetings on 4 occasions during 2023/24: in April, July and October 2023 and in January 2024. The cycle of Board meetings follows the timetable for the Pensions Investment Committee. The Board continues to focus on the key issues affecting the Fund and its beneficiaries, and agrees a forward work plan at the start of the year to ensure that it best placed to support the Council in the delivery of the LGPS. As part of its oversight and scrutiny role the Board has regular updates at each meeting on:

- a review of the budget and associated financial monitoring
- to consider any breaches in service delivery
- monitoring and review of the risk register
- monitoring and review of the performance of the pensions administration service including examining workflow statistics
- to consider a report from the Independent Adviser on investment performance and asset allocation issues
- updates on the performance and developments in the Wales Pension Partnership (WPP)
- Review and discussion of the decisions of the Pension Committee
- a review of the training and development programme for Members of the Pension Committee and Pension Board

There have been full agendas for each Board meeting. In addition to the agenda items considered at each meeting, the Board also discussed other issues during the year including:

- The development of an annual work plan for the Board
- Review of the Dyfed Pension Fund Annual Report & Accounts and external audit report
- Consideration of reports from Rebeco on the Fund's engagement on ESG issues
- A report on an analysis of the Carbon Intensity of the Fund's equity investments
- Consideration of developments affecting the LGPS including progress with the WPP
- Consideration and discussion on a Strategic Asset Allocation review of the Fund's investments
- A report reviewing Global Securities lending by the Fund
- Internal Audit and risk management issues affecting the Fund

In this way the Board continues to discharge its oversight and scrutiny role.

There were some changes in membership of the Board during the year. Paul Ashley-Jones stood down as an Employer Member representative and was replaced by Richard Edwards. On behalf of the Board, I would like to thank Paul for his support and valuable contributions at our meetings. Cllr. Wyn Thomas also joined the Board as an Employer representative. Board meetings were well attended at 89%, and above the level of attendance in the previous year. Detailed attendance of Board Members is set out below.

At the end of March 2024, the Dyfed Pension Fund had total assets of £3.5 billion and a membership of 55,804 comprising pensioners, deferred pensioners and current contributors. Pension Fund investment and administration is becoming ever more complex so a structured programme of training and development is essential for individual members and the Board collectively to discharge their responsibilities.

The WPP continues to run regular online training sessions for all Committee and Board Members across the 8 Welsh funds, and it is important that this initiative should continue. Training and development remains an area of attention for the Pensions Regulator as part of their role in promoting high standards of corporate governance in Pension Funds.

Board members have attended various training sessions over the past year. This training is recorded by Carmarthenshire County Council and presented at each Board meeting for review and consideration of future events. Examples from the past year include:

- Seminars attended by Board members on an individual basis with updates on current issues affecting the LGPS
- Fundamentals training for new Board members
- Quarterly training sessions run by the WPP
- Briefing on the updated Strategic Asset Allocation of the Fund's investments

Regular training on individual topics will continue to be arranged and briefing sessions incorporated as part of Board meetings. Training will continue to take place both virtually and in person.

Together with Pension Board Chairs from the other Welsh Funds, I represent the Board at 6 monthly briefings on progress in the WPP. Presentations from the host authority (Carmarthenshire County Council) and their partners Waystone and Russell Investments provides an opportunity for Board Chairs to ask questions and scrutinise progress on investment pooling in Wales. This forum helps to build good working relationships between

Boards, the host authority and WPP, and strengthens the overall governance of the Welsh Pension Funds.

The investment of a major part of the Fund's assets are now managed through the WPP and BlackRock index tracker funds. The Board are updated on developments at each meeting. Out of total assets of £3.5bn, £2.8bn (80%) is now managed on this basis. Going forward this percentage will increase as more assets are transferred into the WPP. We will continue to monitor progress and work alongside the Council in delivering the best outcome for the Fund and its beneficiaries.

Members of the Dyfed Pension Board 2023-24

- John Jones - Independent Chair
- Mike Rogers - Pensioner Member Representative
- Cllr Alun Lenny - Employer Representative (Carmarthenshire County Council)
- Mike Evans - Member Representative
- Tommy Bowler - Trade Union Representative
- Cllr Wyn Thomas - Employer Member Representative (Ceredigion County Council)
- Richard Edwards - Employer Member Representative (Pembrokeshire County Council)

Board Member Meeting Attendance 2023-24

	Date of Meeting			
	18-Apr-23	19-Jul-23	25-Oct-23	14-Jan-24
John Jones	✓	✓	✓	✓
Mike Rogers	✓	x	x	✓
Cllr. Alun Lenny	✓	✓	✓	✓
Mike Evans	✓	✓	✓	✓
Tommy Bowler	✓	x	✓	✓
Cllr. Wyn Thomas	✓	✓	✓	✓
Richard Edwards	Not in post	✓	✓	✓

John Jones, Independent Chair of the Pension Board

Section 6 - Statement of Accounts

Narrative Report

The Dyfed Pension Fund accounts are set out on the following pages and provide information about the financial position, performance and financial adaptability of the Fund for the year 2023-24. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

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

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

The Director of Corporate Services' Responsibilities

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

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

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

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Dyfed Pension Fund at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Chris Moore FCCA — Date: 19 September 2024

Director of Corporate Services

Governance & Audit Committee Approval

Approval of Dyfed Pension Fund Statement of Accounts post audit.

Chair of Audit Committee — Date: 27 September 2024

Fund Account for the Year Ended 31 March 2024

2022-23 £'000		Note	2023-24 £'000
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
	Employer		
74,089	Normal		84,165
4,805	Augmentation		7,148
(7,663)	Past Service Deficit/(Surplus)		(15,728)
	Member		
24,489	Normal		26,574
197	Additional voluntary		120
4,999	Transfers in from other pension funds	6	6,038
100,916			108,317
	Benefits payable		
(81,118)	Pensions payable		(91,345)
(15,635)	Commutation and lump sum retirement benefits		(20,250)
(2,670)	Lump sum death benefits		(1,974)
(4,530)	Payments to and on account of leavers	7	(4,829)
(103,953)			(118,398)
(3,037)	**Net Additions (Withdrawals) from dealings with Members**		**(10,081)**
(10,410)*	Management Expenses	8	(13,076)
(13,447)	**Net Additions (Withdrawals) including fund management expenses**		**(23,157)**
	Returns on Investments		
27,227*	Investment Income	9	58,630
0	Taxes on Income (Irrecoverable Withholding Tax)	10	0
	Changes in the market value of investments		
(109,153)*	Unrealised	11.2	232,235
(4,696)	Realised	11.3	64,861
(86,622)	**Net Return on Investments**		**355,726**
(100,069)	**Net Increase (Decrease) in the net assets available for benefits during the year**		**332,569**
3,242,604	Opening Net Assets of Scheme		3,142,535
3,142,535	**Closing Net Assets of Scheme**		**3,475,104**

*restated to exclude underlying fees for comparative purposes

Net Assets Statement for the year ended 31 March 2024

31/03/23 £'000		Note	31/03/24 £'000
3,109,619	Investment Assets		3,453,869
27,061	Cash deposits		13,693
0	Investment liabilities		0
3,136,680		11.1	3,467,562
11,224	Current assets	15	12,460
(5,369)	Current liabilities	16	(4,918)
5,855	Net Current Assets/(Liabilities)		7,542
3,142,535	**Total Net Assets**		**3,475,104**

Reconciliation of the movement in Fund Net Assets

2022-23 £'000		2023-24 £'000
3,242,604	Opening Net Assets	3,142,535
13,780*	Net New Money Invested	35,473
(113,849)*	Profit and losses on disposal of investments and changes in the market value of investments	297,096
3,142,535	**Closing Net Assets of Fund**	**3,475,104**

*restated to exclude underlying fees for comparative purposes

Notes to the Dyfed Pension Fund Accounts for the year ended 31 March 2024

1 Description of the Fund

The Dyfed Pension Fund (the Fund) is part of the Local Government Pension Scheme and the administering authority (the Authority) is Carmarthenshire County Council.

1.1 General

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

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

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

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

1.2 Membership

Members of the LGPS are automatically enrolled and are free to choose whether to remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Dyfed Pension Fund include:

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

There are 70 employer organisations within the Dyfed Pension Fund as at 31 March 2024 and these are detailed in Note 20. The membership details of these organisations are summarised below:

31/03/23		31/03/24
19,355	Number of active contributors in the Fund	19,619
16,009	Number of pensioners	16,721
16,373	Number of deferred pensioners	16,472
2,818	Number of undecided leavers	2,992
54,555	**Total membership**	**55,804**
50	Number of employers with active members*	48

* Pobl Group and Leonard Cheshire Disability exited the scheme during the year

These figures reflect the recorded position as at 31 March 2024 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2022. Currently, employer contribution rates range from 9.5% to 271% of pensionable pay as detailed in Note 20.

1.4 Benefits

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

Service pre 1 April 2008:

- Pension – Each year is worth 1/80 x final pensionable salary.
- Lump Sum – Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Service 31 March 2008 – 31 March 2014:

- Pension – Each year is worth 1/60 x final pensionable salary.
- Lump Sum – No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

1 April 2014 to present:

- The scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index. Please note some members will retain "McCloud" protections up to 31 March 2022.

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

2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023-24 financial year and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

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

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

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

3.2 Transfers to and from other schemes

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

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

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

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

3.3 Investment income

3.3.1 Interest income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

3.3.2 Dividend income

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

3.3.3 Distributions from pooled funds

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

3.3.4 Movement in the net market value of investments

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

3.4 Benefits payable

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

3.5 Taxation

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

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

3.6 Management Expenses

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

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

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

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

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

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.44m in 2023-24 (2022-23: Fee was £0.36m).

The costs of the Authority's pension investments team are charged direct to the fund and a proportion of the Authority's costs representing management time spent by officers on investment management is also charged to the fund. The Authority charged the Pension Fund an amount of £1.5m (£1.2m in 2022-23) in respect of administration and support during 2023-24.

Net assets statement

3.7 Financial assets

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

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

3.7.1 Market-quoted investments

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

3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments

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

3.7.4 Limited partnerships

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

3.7.5 Pooled investment vehicles

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

3.8 Foreign currency transactions

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

3.9 Cash and cash equivalents

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

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

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

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

3.10 Financial liabilities

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

3.11 Actuarial present value of promised retirement benefits

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

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

3.12 Additional voluntary contributions (AVC)

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

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

AVC's are invested separately from the assets of the Fund and are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Pension Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only - Note 17.

4 Critical judgements in applying accounting policies

4.1 Fund liability

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

In assessing the fair value of non-traded financial instruments, the Limited Partnership uses a variety of market and income methods such as time of last financing, earnings and multiple analysis, discounted cash flow method and third party valuation and makes assumptions that are based on market conditions and expected market participant assumptions existing at the end of each reporting period. Other information used in determining the fair value of non-traded financial instruments include latest financial reports, subsequent cash flows and internally performed monitoring of triggering events (such as exits and IPOs) as well as pricing movements in comparable investments together with techniques such as option pricing models and estimated discounted value of future cash flows. These practices are in line with widely used international industry guidelines. The value of the Partners Group Red Dragon Limited Partnership as at 31st March 2024 was £41.5m (31st March 2023: £48.2m).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31st March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £41.5m. There is a risk that this investment may be under or overstated in the accounts.
Alternatives – Strategic Alternative Income Fund (SAIF)	The SAIF investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total SAIF investment is £130.9m. There is a risk that this investment may be under or overstated in the accounts.

Private Markets – Wales Pension Partnership Infrastructure & Private Credit investments	The investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The infrastructure investments with GCM Grosvenor and Capital Dynamics are valued at £24.4m and £3m respectively and the private credit investment with Russell Investments is valued at £13.9m. There is a risk that these investments may be under or overstated in the accounts.

6 Transfers in from other pension funds

2022-23 £'000		2023-24 £'000
0	Group transfers in from other schemes and scheme mergers	0
4,999	Individual transfers in from other schemes	6,038
4,999		**6,038**

7 Payments to and on account of Leavers

2022-23 £'000		2023-24 £'000
(273)	Refunds to members leaving service	(273)
1	Payments for members joining state scheme	0
0	Group transfers	0
(4,258)	Individual transfers	(4,556)
(4,530)		**(4,829)**

8 Management Expenses

2022-23 £'000		2023-24 £'000
(1,546)	Administrative costs	(1,786)
(8,114)*	Investment management expenses	(10,562)
(750)	Oversight and governance costs	(728)
(10,410)		**(13,076)**

*restated to exclude underlying fees for comparative purposes

2023-24 Audit fees of £38,424 (2022-23: £36,113) are included within Oversight and governance costs.

8.1 Investment Management Expenses

2023-24	£'000 Total	£'000 Management Fees	£'000 Performance Related Fees	£'000 Transaction Costs
Pooled Investments	9,088	5,823	442	2,823
Pooled Property Investments	1,433	1,212	0	221
	10,521	**7,035**	**442**	**3,044**
Custody Fees	41			
Total	**10,562**			

2022-23	£'000 Total	£'000 Management Fees	£'000 Performance Related Fees	£'000 Transaction Costs
Pooled Investments*	6,402	4,729	360	1,313
Pooled Property Investments*	1,673	1,365	0	308
	8,075	**6,094**	**360**	**1,621**
Custody Fees	39			
Total	**8,114**			

*restated to exclude underlying fees for comparative purposes

8.2 Underlying Fees

The table below represents the underlying manager fees, these fees are not charged to the accounts but are disclosed here for transparency. The returns for these mandates are net of underlying manager costs, this is reflected within the Change in Market Value.

2022-23 £'000		2023-24 £'000
701	BlackRock	678
2,456	Schroders	2,100
(17)	Partners Group	140
161	Wales Pension Partnership	794
3,301		**3,712**

9 Investment Income

2022-23 £'000		2023-24 £'000
16,141*	Income from pooled investments	43,311
10,932	Income from pooled property investments	14,539
154	Interest on cash deposits	780
27,227		**58,630**

*restated to exclude underlying fees for comparative purposes

10 Taxation

2022-23 £'000		2023-24 £'000
(0)	Withholding tax - equities	(0)
(0)		**(0)**

11 Investments

11.1 Net investment assets

Fair value 31/03/2023 £'000		Fair value 31/03/2024 £'000
	Investment assets	
	Pooled Investments	
562,035	UK Equities	433,418
978,714	Global Equities	1,133,331
0	Sustainable Active Equity Fund	181,571
91,957	European Equities	77,312
113,904	Japanese Equities	139,707
282,817	Emerging Markets Equities	197,467
311,069	ACS World Low Carbon Equity Tracker Fund	387,026
226,700	Fixed Income	321,959
10,781	Index Linked Gilts	0
124,097	Alternatives	130,905
0	Infrastructure	27,460
0	Private Credit	13,944
2,702,074		**3,044,100**
	Other Investments	
407,472	Pooled Property Investments	409,627
407,472		**409,627**
27,061	**Cash deposits**	13,693
73	**Investment income due**	142
0	**Amounts receivable for sales**	0
27,134		**13,835**
3,136,680	**Total investment assets**	**3,467,562**
	Investment liabilities	
0	**Amounts payable for purchases**	0
0	**Total investment liabilities**	**0**
3,136,680	**Net investment assets**	**3,467,562**

11.2 Reconciliation of movements in investments

During the year, investments purchased totalled £384m whilst sales totalled £264m. Purchase and sales costs are included in the purchase price and sales proceeds of the investment.

	Fair Value 31/03/2023	**Purchases**	**Sales**	**Fees included in NAV**	**Cash movement**	**Change in unrealised gains/(losses)**	**Fair Value 31/03/2024**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Pooled investments	2,702,074	328,558	(226,530)	(7,729)	0	247,727	3,044,100
Pooled property investments	407,472	55,678	(37,264)	(767)	0	(15,492)	409,627
	3,109,546	**384,236**	**(263,794)**	**(8,496)**	**0**	**232,235**	**3,453,727**
Other investment balances							
Cash deposits	27,061	0	0	0	(13,368)	0	13,693
Amount receivable for sales investments	0	0	0	0	0	0	0
Investment income due	12	0	0	0	71	0	83
Tax reclaims due	61	0	0	0	(2)	0	59
Amounts payable for purchases investments	0	0	0	0	0	0	0
	3,136,680	**384,236**	**(263,794)**	**(8,496)**	**(13,299)**	**232,235**	**3,467,562**

	Fair value 31/03/2022 £'000	**Purchases £'000**	**Sales £'000**	**Fees included in NAV* £'000**	**Cash movement £'000**	**Change in unrealised gains/(losses)* £'000**	**Fair value 31/03/2022 £'000**
Pooled investments	2,748,153	72,012	(58,206)	(5,216)	0	(54,669)	2,702,074
Pooled property investments	461,700	24,166	(22,945)	(965)	0	(54,484)	407,472
	3,029,853	**96,178**	**(81,151)**	**(6,181)**	**0**	**(109,153)**	**3,109,546**
Other investment balances							
Cash deposits	24,969	0	0	0	2,092	0	27,061
Amount receivable for sales investments	0 0	0	0	0	0	0	0
Investment income due	1,798	0	0	0	(1,786)	0	12
Tax reclaims due	57	0	0	0	4	0	61
Amounts payable for purchases investments	0 0	0	0	0	0	0	0
	3,236,677	**96,178**	**(81,151)**	**(6,181)**	**310**	**(109,153)**	**3,136,680**

*restated to exclude underlying fees for comparative purposes

11.3 Realised gains and losses

2022-23 £'000		2023-24 £'000
(868)	Pooled investments	61,283
(3,828)	Pooled property investments	3,578
(4,696)		**64,861**

11.5 Fund manager analysis

Market value 31/03/23 £'000	**%**	**Fund manager analysis**	**%**	**Market value 31/03/23 £'000**
1,205,414	38.4	Wales Pension Partnership	48.4	1,678,265
1,205,414	**38.4**		**48.4**	**1,678,265**
1,503,729	48.0	BlackRock	39.6	1,372,850
379,305	12.1	Schroders	10.7	371,139
48,232	1.5	Partners Group	1.3	45,308
1,931,266	**61.6**		**51.6**	**1,789,297**
3,136,680	**100**		**100.0**	**3,467,562**

11.6 Wales Pension Partnership (WPP)

Included in Management Expenses (Note 8) is the cost of our involvement in the Wales Pension Partnership (WPP). The Oversight and Governance costs are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses are fees payable to Waystone (the operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). The underlying manager fees of £794k (2022-23: £161k) are not included in the table below and are separately disclosed following the table.

Wales Pension Partnership costs included in the Dyfed Pension Fund accounts for 2023-24 are below:

31/03/23 £'000		31/03/24 £'000
	WPP oversight and governance costs	
158	Running Costs	226
	WPP Investment Management expenses	
3,731	Fund Manager fees	4,710
241	Transaction costs	1,934
172	Custody Fees	195
4,302		**7,065**

Wales Pension Partnership – Underlying Fees

31/03/23 £'000		31/03/24 £'000
161	Global Credit Fund	168
0	Sustainable Active Equity Fund	345
0	Private Markets	281
161		**794**

12 Concentration of Investments

The following investments represent more than 5% of the Fund's total net assets as at 31st March 2024 and 31 March 2023:

	Value as at 31/03/2024 £'000	Proportion of Investment Portfolio %
Wales Pension Partnership Global Growth Fund	1,113,331	32.68
BlackRock Aquila Life UK Equity Index Fund	433,417	12.50
BlackRock ACS World Low Carbon Tracker Fund	387,026	11.16
Wales Pension Partnership Global Credit Fund	321,959	9.28
BlackRock iShares Emerging Markets Index Fund	197,467	5.69
Wales Pension Partnership Global Credit Fund	181,571	5.24

	Value as at 31/03/2023 £'000	Proportion of Investment Portfolio %
Wales Pension Partnership Global Growth Fund	978,714	31.20
BlackRock Aquila Life UK Equity Index Fund	562,033	17.92
BlackRock ACS World Low Carbon Tracker Fund	311,069	9.92
BlackRock iShares Emerging Markets Index Fund	282,817	9.02
Wales Pension Partnership Global Credit Fund	226,700	7.23

13 Financial Instruments

13.1 Classification of financial instruments

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

2022-23					2023-24			
Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total		Designated at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Financial assets				
2,702,074	0	0	2,702,074	Pooled investments	3,044,100	0	0	3,044,100
407,472	0	0	407,472	Pooled property investments	409,627	0	0	409,627
0	33,706	0	33,706	Cash	0	19,959	0	19,959
73	0	0	73	Other investment balances	142	0	0	142
0	4,579	0	4,579	Debtors	0	6,194	0	6,194
3,109,619	**38,285**	**0**	**3,147,904**		**3,453,869**	**26,153**	**0**	**3,480,022**
				Financial liabilities				
0	0	0	0	Other investment balances	0	0	0	0
0	0	(5,369)	(5,369)	Creditors	0	0	(4,918)	(4,918)
0	**0**	**(5,369)**	**(5,369)**		**0**	**0**	**(4,918)**	**(4,918)**
3,109,619	**38,285**	**(5,369)**	**3,142,535**	**Total**	**3,453,869**	**26,153**	**(4,918)**	**3,475,104**

13.2 Net gains and losses on financial instruments

2021-22 £'000		2022-23 £'000
	Financial assets	
(113,849)*	Fair value through profit and loss	297,096
(113,849)	**Total financial assets**	**297,096**
0	**Total financial liabilities**	**0**
(113,849)	**Total**	**297,096**

*restated to exclude underlying fees for comparative purposes

13.3 Fair value of financial instruments and liabilities

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

Carrying value 31/03/23 £'000	Fair value 31/03/23 £'000		Carrying value 31/03/24 £'000	Fair value 31/03/24 £'000
		Financial assets		
2,565,943	3,109,619	Fair value through profit and loss	2,686,454	3,453,869
38,285	38,285	Loans and receivables	26,153	26,153
2,604,228	**3,147,904**	**Total financial assets**	**2,712,607**	**3,480,022**
		Financial liabilities		
0	0	Fair value through profit and loss	0	0
(5,369)	(5,369)	Financial liabilities at amortised cost	(4,918)	(4,918)
(5,369)	**(5,369)**	**Total financial liabilities**	**(4,918)**	**(4,918)**
2,598,859	**3,142,535**	**Total**	**2,707,689**	**3,475,104**

13.4 Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

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

Level 2

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

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include limited partnerships, where fair value is ascertained from periodic valuations provided by those controlling the partnership. Assurance over the valuation is gained from the independent audit of the partnership.

13.5 Fair value – Basis of valuation

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

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	12,352	2,871,792	569,725	3,453,869
Loans and receivables	26,153	0	0	26,153
Total financial assets	**38,505**	**2,871,792**	**569,725**	**3,480,022**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(4,918)	0	0	(4,918)
Total financial liabilities	**(4,918)**	**0**	**0**	**(4,918)**
Net financial assets	**33,587**	**2,871,792**	**569,725**	**3,475,104**

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Fair values at 31 March 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets at fair value through profit and loss	330	2,650,746	458,543	3,109,619
Loans and receivables	38,285	0	0	38,285
Total financial assets	**38,615**	**2,650,746**	**458,543**	**3,147,904**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0	0	0	0
Financial liabilities at amortised cost	(5,369)	0	0	(5,369)
Total financial liabilities	**(5,369)**	**0**	**0**	**(5,369)**
Net financial assets	**33,246**	**2,650,746**	**458,543**	**3,142,535**

13.6 Reconciliation of fair value measurements within level 3

2023-24

Asset Type	Market Value 01 April 2023 £'000	Transfers out of Level 3* £'000	Purchases £'000	Sales £'000	Unrealised Gains / (Losses) £'000	Realised Gains / (Losses) £'000	Market Value 31 March 2024 £'000
Alternatives	**124,097**	**0**	**13,806**	**0**	**(6,998)**	**0**	**130,905**
Property	**334,445**	**73,027**	**29,678**	**(25,591)**	**(17,656)**	**3,513**	**397,416**
Infrastructure	**0**	**0**	**26,376**	**0**	**1,084**	**0**	**27,460**
Private Credit	**0**	**0**	**13,913**	**0**	**31**	**0**	**13,944**
Total	**458,542**	**73,027**	**83,773**	**(25,591)**	**(23,539)**	**3,513**	**569,725**

*The transfers out of Level 3 for Property were due to the reclassification of two funds by the investment manager during 2023-24.

2022-23

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

13.7 Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 investments during 2023-24.

14 Nature and extent of risks arising from financial instruments

14.1 Risk and risk management

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

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

Responsibility for the Fund's risk management strategy rests with the Committee. Risk management policies are established to identify and analyse the risks faced by the Authority's pensions operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

14.2 Market Risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its independent investment adviser undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

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

14.3 Other price risk

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

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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

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

14.4 Other price risk – sensitivity analysis

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

Asset Type	**Potential market movements (+/-)**
Equity	10.60%
Bonds	7.10%
Alternatives	5.10%
Property	6.10%
Infrastructure	5.10%
Private Credit	5.10%
Cash	0.80%

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

Asset Type	**Value as at 31 March 2024**	**Change**	**Value on Increase**	**Value on Decrease**
	£'000	**%**	**£'000**	**£'000**
Cash	13,693	0.80%	13,802	13,583
UK Equities	433,418	10.60%	479,361	387,476
Overseas Equities	801,512	10.60%	886,472	716,552
Global Pooled Equities inc UK	1,314,902	10.60%	1,454,282	1,175,523
Alternatives	130,905	5.10%	137,581	124,229
Bonds	321,959	7.10%	344,818	299,100
Property	409,627	6.10%	434,614	384,640
Infrastructure	27,460	5.10%	28,860	26,059
Private Credit	13,944	5.10%	14,655	13,233
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	142	0.00%	142	142
Total Assets	**3,467,562**		**3,794,587**	**3,140,537**

Asset Type	Value as at 31 March 2023	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Cash	27,061	0.90%	27,305	26,818
UK Equities	562,035	12.50%	632,290	491,781
Overseas Equities	799,747	12.50%	899,715	699,778
Global Pooled Equities inc UK	978,714	12.50%	1,101,053	856,375
Alternatives	124,097	5.30%	130,674	117,520
Bonds	237,481	7.10%	254,342	220,620
Property	407,472	5.30%	429,068	385,876
Sales receivable	0	0.00%	0	0
Purchases payable	0	0.00%	0	0
Income receivables	73	0.00%	73	73
Total Assets	**3,136,680**		**3,474,520**	**2,798,841**

14.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at 31 March 2024	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Alternatives	130,905	5.10%	137,581	124,228
Pooled Property	397,416	6.10%	421,659	373,174
Infrastructure	27,460	5.10%	28,860	26,059
Private Credit	13,944	5.10%	14,655	13,233
Total Level 3 Assets	**569,725**		**602,755**	**536,694**

14.5 Interest rate risk

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

The Fund’s interest rate risk is routinely monitored by the Committee in accordance with the Fund’s risk management strategy, including monitoring the exposure to interest rates against the relevant benchmarks.

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

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2024 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/23 £'000	Asset type	31/03/24 £'000
27,061	Cash and cash equivalents	13,693
6,645	Cash held at CCC	6,266
237,481	Bonds	321,959
271,187	**Total**	**341,918**

14.6 Interest rate risk sensitivity analysis

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

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

Asset type	Value as at 31/03/24	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	13,693	137	(137)
Cash held at CCC	6,266	63	(63)
Bonds	321,959	3,220	(3,220)
Total change in available assets	**341,918**	**3,420**	**(3,420)**

Asset type	Value as at 31/03/23	Change in year in the net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and cash equivalents	27,061	271	(271)
Cash held at CCC	6,645	66	(66)
Bonds	237,481	2,375	(2,375)
Total change in available assets	**271,187**	**2,712**	**(2,712)**

The Fund also holds investments which have some sensitivity to interest rates, but whose values do not move in a predictable way with interest rates, and which also benefit from variable interest rates and/or returns streams other than straightforward interest income (e.g. asset revaluation). These include infrastructure, private credit, and real estate.

14.7 Discount Rate

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

14.8 Currency risk

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

The Fund's currency rate risk is routinely monitored by the Committee in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2023 and as at 31 March 2024:

Fair value 31/03/23 £'000	**Asset type**	**Fair value 31/03/24 £'000**
1,861,920	Overseas pooled investments	2,476,759
36,431	Overseas pooled property investments	41,539
9	Cash	0
1,898,360	**Total overseas assets**	**2,518,298**

14.9 Currency risk sensitivity analysis

The aggregate currency risk within the Fund as at 31 March 2024 was 5.8% (2022-23: 6.8%).

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

A 5.8% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset type	**Fair value 31/03/24**	**Change in year in the net assets available to pay benefits**	
		+5.8%	**-5.8%**
	£'000	**£'000**	**£'000**
Overseas pooled investments	2,476,759	143,652	(143,652)
Overseas pooled property investments	41,539	2,409	(2,409)
Cash	0	0	0
Total change in available assets	2,518,298	146,061	(146,061)

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

14.10 Credit risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

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

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

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

14.11 Liquidity risk

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

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

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

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

15 Current assets

31/03/23 £'000		31/03/24 £'000
	Contributions due from employer	
2,145	- Employer	2,952
2,065	- Employee	2,244
6,645	Cash Balances	6,266
369	Debtors	998
11,224		**12,460**

15.1 Analysis of Current Assets

31/03/23 £'000		31/03/24 £'000
9,407	Local authorities	10,231
0	Central Government Bodies	4
1,817	Other entities and individuals	2,225
11,224		**12,460**

16 Current liabilities

31/03/23 £'000		31/03/24 £'000
(2,849)	Unpaid benefits	(3,286)
(2,520)	Creditors	(1,632)
(5,369)		**(4,918)**

16.1 Analysis of Current liabilities

31/03/23 £'000		31/03/24 £'000
(861)	HMRC	(1,159)
(369)	Public corporations and trading funds	(394)
(4,139)	Other entities and individuals	(3,365)
(5,369)		**(4,918)**

17 Additional Voluntary Contributions (AVC)

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

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

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

AVC Provider	Value as at 31/03/23 £ '000	Contributions £ '000	Expenditure £ '000	Change in Market Value £ '000	Value as at 31/03/24 £ '000
Prudential	9,308	2,159	(1,171)	732	11,028
UTMOST	409	3	(3)	30	439
Standard Life	2,925	573	(607)	170	3,061
Total	**12,642**	**2,735**	**(1,781)**	**932**	**14,528**

18 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2022.

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

19 Related Party Transactions

The Fund is administered by Carmarthenshire County Council (the Authority), consequently there is a strong relationship between the Authority and the Fund. In addition, the Authority's Governance and Audit Committee is responsible for the approval of the Fund's Annual Report and Accounts.

The Authority incurred costs of £1.462 million (2022-23: £1.164 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £43.232 million to the Fund in 2023-24 (2022-23: £40.420 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2024, the Fund had an average investment balance of £18 million (2022-23: £14 million) earning interest of £861,955 (2022-23: £210,740).

19.1 Governance

Pension Committee

There are three members and one substitute member of the Pension Committee. During 2023-24 these were Councillor Elwyn Williams, Councillor Dai Thomas, Councillor Peter Cooper (replaced Councillor Rob James during the year) and the substitute was Councillor Neil Lewis.

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

The Committee members and the Senior Officers that advise the Committee are required to declare their interest at each meeting. The Committee members and Director of Corporate Services accrue their benefits in line with the regulations encompassing councillors and employees of the employing bodies of the Fund.

Pension Board

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

For more details, and to view the Governance Policy, please refer to the Fund's website – www.dyfedpensionfund.org.uk

19.2 Key Management Personnel

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

31/03/23 £'000		**31/03/24 £'000**
15	Short-term benefits	16
4	Post-employment benefits	4
19		**20**

20 Employing bodies contribution rates, contributions receivable and benefits payable

2022-23 Contr-bution rate %	2022-23 Deficit/ (Surplus) Contri-bution £'000	2022-23 Contri-butions £'000	2022-23 Benefits payable £'000		2023-24 Contr-bution rate %	2023-24 Contri-butions * £'000	2023-24 Benefits payable £'000
				Scheduled bodies			
19.9	(2,800)	43,220	43,842	Carmarthenshire County Council	16.2	43,232	48,555
19.8	(2,146)	25,536	21,540	Pembrokeshire County Council	15.5	24,532	24,964
20.1	(2,320)	15,712	13,797	Ceredigion County Council	14.6	13,603	16,080
17.8	(7)	7,131	3,775	Office for the Police & Crime Commissioner for Dyfed-Powys	16.8	7,724	5,202
18.1	(203)	1,917	1,666	Mid & West Wales Fire Authority	15.1	1,976	1,729
19.7	0	293	331	Coleg Ceredigion	19.7	307	484
20.0	0	2,051	1,252	Coleg Sir Gar	20.0	2,626	2,055
19.9	(298)	922	948	Pembrokeshire Coast National Park Authority	10.6	693	1,071
18.6	29	1,714	557	Pembrokeshire College	19.1	2,003	757
	(7,745)	98,496	87,708			96,696	100,897
				Designated (Resolution) bodies			
25.6	(4)	22	14	Aberystwyth Town Council	17.9	28	15
22.4	(26)	109	109	Carmarthen Town Council	15.3	94	111
20.9	1	61	0	Cwmamman Town Council	21.8	53	43
24.1	0	24	0	Llanedi Community Council	24.1	30	0
28.8	0	8	4	Gorslas Community Council	26.6	7	5
27.6	8	20	11	Kidwelly Town Council	44.5	33	39
25.9	0	2	33	Llanbadarn Fawr Community Council	27.0	3	3
19.4	0	2	1	Llanarthne Community Council	19.4	2	1
19.9	(55)	294	202	Llanelli Rural Council	14.4	277	354
20.3	16	75	298	Llanelli Town Council	26.6	108	146
22.9	3	17	0	Llangennech Community Council	29.0	24	0
25.8	6	57	26	Llannon Community Council	30.6	62	25
17.3	(12)	70	39	Pembrey & Burry Port Town Council	9.9	60	26
22.5	(6)	18	12	Tenby Town Council	11.6	14	13
19.6	2	18	0	Pembroke Town Council	23.0	17	0
22.7	2	19	0	Pembroke Dock Town Council	26.1	22	0
21.9	0	4	0	Cwarter Bach Community Council	21.9	6	0
	(65)	820	749			840	781

2022-23					2023-24		
Contri-bution rate %	**Deficit Contri-bution £'000**	**Contri-butions £'000**	**Benefits payable £'000**		**Contri-bution rate %**	**Contri-butions* £'000**	**Benefits payable £'000**
				Admission bodies			
				Community Admission Body (CAB)			
21.1	6	44	27	Ceredigion Association of Voluntary Org.	24.1	55	29
19.9	0	1,307	1,574	Careers Wales	19.9	1,558	2,002
22.9	3	35	37	Carmarthenshire Association of Voluntary Services	24.9	35	80
0.0	0	1	14	Carmarthenshire Federation of Young Farmers Clubs	0.0	1	15
20.2	0	28	43	Iaith Cyf	20.2	55	48
26.9	2	4	16	Leonard Cheshire Disability	47.5	61	46
16.7	14	96	17	Menter Bro Dinefwr	20.1	102	19
17.6	14	25	39	Menter Cwm Gwendraeth	23.0	39	42
13.3	2	73	0	Menter Gorllewin Sir Gar	14.0	77	0
9.5	0	14	11	Menter Iaith Castell-Nedd Port Talbot	9.5	16	12
22.8	0	5	11	Narberth & District Community & Sports Association	22.8	5	12
22.7	0	65	64	Pembrokeshire Association of Voluntary Services	22.7	64	71
19.2	0	99	83	PLANED	19.2	89	36
21.4	0	299	458	Barcud	21.4	273	488
22.0	0	573	696	University of Wales-Trinity St David	22.0	593	714
25.1	96	9	214	Aberystwyth University	271.0	89	241
19.7	0	417	371	Books Council of Wales	19.7	339	409
21.2	0	25	48	West Wales Action for Mental Health	21.2	24	52
15.3	0	19	47	Valuation Tribunal Wales	15.3	19	51
	137	3,138	3,770			3,494	4,367
				Transferee Admission Body (TAB)			
22.8	0	17	43	Pobl Group	22.8	(66)	106
17.3	10	989	79	Llesiant Delta Wellbeing	17.9	1,167	233
22.2	0	10	0	Burry Port Marina Ltd	22.2	10	0
46.2	0	12	0	Adapt Business Services	46.2	11	0
23.4	0	10	0	Visit Pembrokeshire	23.4	6	0
	10	1,038	221			1,128	339

				Bodies with no pensionable employees			
0.0	0	6	7	DVLA	0.0	6	7
0.0	0	0	14	Cardigan Swimming Pool	0.0	0	15
0.0	0	0	56	PRISM	0.0	0	69
0.0	0	53	410	Dyfed Powys Magistrates Courts	0.0	86	421
0.0	0	2	8	Carmarthen Family Centre	0.0	2	8
0.0	0	2	4	Milford Haven Town Council	0.0	2	5
0.0	0	0	16	Mencap	0.0	0	17
0.0	0	0	6,339	Dyfed County Council	0.0	0	6,388
0.0	0	0	2	Dyfed AVS	0.0	0	7
0.0	0	7	7	NHS	0.0	6	6
0.0	0	4	17	Welsh Water	0.0	5	18
0.0	0	0	8	Cwm Environmental	0.0	0	9
0.0	0	0	7	Cartrefi Cymru	0.0	0	8
0.0	0	1	1	Rent Officer Service	0.0	1	1
0.0	0	13	39	Haverfordwest Town Council	0.0	13	39
0.0	0	0	40	Llanelli Burial Board	0.0	0	38
0.0	0	0	15	DANFO	0.0	0	16
0.0	0	0	83	Human Support Group (HSG)	0.0	0	111
0.0	0	0	1	Compass Contract Services Ltd	0.0	0	1
0.0	0	0	0	Garnant Golf club Ltd	0.0	0	1
	0	88	7,074			121	7,185
	(7,663)	**103,580**	**99,423**	**Total**		**102,279**	**113,569**

*Employer contribution rates for 2023-24 are expressed as an equivalent/combined rate as per the 2022 Actuarial Valuation. Employer contribution rates no longer separately identify past service deficit/surplus payments, therefore no income is recorded against past service deficit/surplus.

20.1 Bodies with No Pensionable Employees where pension increase is recharged

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

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

21 Stock Lending

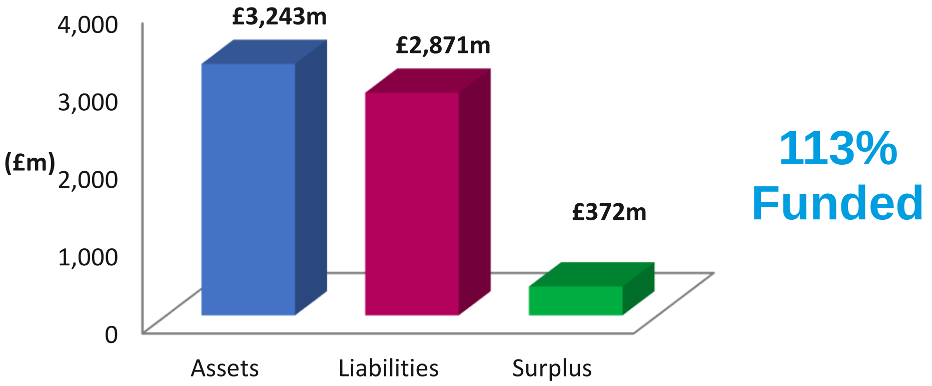
The Fund's investment strategy permits stock lending subject to specific approval. During 2023-24, the income earned by the Fund through stock lending was £102,800 (2022-23: £93,731). At 31 March 2024 the Fund had £63.3m out on loan (2022-23: £52.8m).

22 Actuarial Statement

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

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

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



The valuation also showed that a Primary contribution rate of 19.8% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average recovery period adopted was 9 years for employers in deficit and 14 years for employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/24) was a surplus offset of 3.7% of pensionable pay - approximately £14m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers (with the exception of two employers who have included provision for a non-ill health early retirement allowance within their contributions).

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

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

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2024 (the 31 March 2023 assumptions are included for comparison):

	31 March 2023	31 March 2024
Rate of return on investments (discount rate)	4.8% per annum	4.9% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.6% per annum
Rate of pay increases	4.2% per annum	4.1% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.8% per annum	2.7% per annum

The demographic assumptions are the same as those used for funding purposes for the 2022 actuarial valuation but with a long-term rate of life expectancy improvement of 1.5% p.a. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuations dated March 2023.

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

Start of period liabilities	**£2,875m**
Interest on liabilities	£136m
Net benefits accrued/paid over the period*	£0m
Actuarial (gains)/losses (see below)	(£118m)
End of period liabilities	**£2,893m**

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

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased slightly over the year, with a corresponding increase in discount rate from 4.8% p.a. to 4.9% p.a. The long-term assumed future CPI also decreased slightly over the year (from 2.7% p.a. to 2.6% p.a.). In combination, these factors lead to a small reduction in liabilities.
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As inflation over the year was higher than the long-term assumption, this increases the liabilities.

Additional Considerations

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

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

Covid 19 / Ukraine/ Gaza conflict: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

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

Clive Lewis
Fellow of the Institute and
Faculty of Actuaries

Laura Evans
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
July 2024

23 Events after the balance sheet date

There have been no events since 31st March 2024, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Independent Auditor’s Report

The independent auditor’s report of the Auditor General for Wales to the members of Carmarthenshire County Council as administering authority for Dyfed Pension Fund

Opinion on financial statements

I have audited the financial statements of Dyfed Pension Fund for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004. Dyfed 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Dyfed Pension Fund as at 31 March 2024 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 ‘Audit of Financial Statements of Public Sector Entities in the United Kingdom’. My responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of my report.

My staff and I are 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.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the pension fund’s ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements. The Responsible Financial Officer is responsible for the other information contained within the annual report. 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. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 52-53, the responsible financial officer is responsible for:

- the preparation of the financial statements, which give a true and fair view;
- maintaining proper accounting records;
- internal controls 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; and

- assessing the Dyfed 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 the responsible financial officer anticipates that the services provided by Dyfed Pension Fund will not continue to be provided in the future.

Auditor’s responsibilities for the audit of the financial statements

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management, the pension fund’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Dyfed Pension Fund’s policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals.
- obtaining an understanding of Dyfed Pension Fund’s framework of authority as well as other legal and regulatory frameworks that Dyfed Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Dyfed Pension Fund.
- obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the pension committee; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Dyfed Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.

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.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales

1 October 2024

1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

The maintenance and integrity of Dyfed Pension Fund website is the responsibility of the Fund. The work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Section 7 – Policies and Strategies

Governance Policy & Compliance Statement

The Governance Policy sets out the Fund's procedures in relation to:

- The Governance of the Fund
- The Pension Committee (terms of reference, membership and meetings)
- Training
- Pension Board

The Governance Compliance Statement sets out the Fund's compliance with best practice principles. Justification for any areas of non-compliance is provided as part of the statement.

Link - Governance | Dyfed Pension Fund

Funding Strategy Statement (FSS)

The FSS sets out a clear and transparent funding strategy that identifies how each Fund employer's pension liabilities are to be met going forward. The details contained in the FSS has a financial and operational impact on all participating employers in the Dyfed Pension Fund.

Link - Funding Strategy | Dyfed Pension Fund

Investment Strategy Statement (ISS)

The ISS sets out the current investment strategy of the Fund, provides transparency in relation to how the Fund's investments are managed, acts as a high-level risk register, and has been designed to be informative for all stakeholders.

Link - Investment Strategy Statement | Dyfed Pension Fund

Risk Register

The Risk Register is a document which is used to effectively identify, prioritise, manage and monitor risks associated with the Fund. The register has been separated out into Governance & Regulatory risks, Funding & Investment risks and Operational risks. It therefore covers administration, investments and governance of the Fund.

It assists the Fund by:

- identifying managed and unmanaged risks
- providing a systematic approach for managing risks
- implementing effective and efficient control
- identifying responsibilities
- identifying risks at the planning stage and monitoring the risks
- helping the Fund to achieve its objectives

Link - Risk Register | Dyfed Pension Fund

Responsible Investment (RI) Policy

The Fund is a long-term investor aiming to deliver a sustainable pension fund for all stakeholders and has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members. RI is a fundamental part of the Fund's overarching investment strategy as set out in the ISS.

Link - [Responsible Investment | Dyfed Pension Fund]

Communications Policy Statement

The Fund strives to provide a high quality and consistent service to our customers in the most efficient and effective manner possible in an ever-changing pensions environment.

The Fund aims to use the most appropriate communication medium for the audiences receiving the information, which may involve using more than one method of communication.

It ensures that all regulatory requirements concerning the provision of Scheme information is continuously met and assessed.

Link - [Communication Policy | Dyfed Pension Fund]

Section 8 - Glossary

Active Management – A mark through either Asset Allocation, Market Timing or Stock Selection (or a combination of these). Directly contrasted with Passive Management.

Actuary – An independent consultant who advises on the viability of the Fund. Every three years the actuary reviews the assets and liabilities of the Fund and reports to the County Council as administering authority on the financial position and the recommended employers' contribution rates. This is known as the actuarial valuation.

Asset Class – A specific area/type of investment e.g. UK Equities, Global Equities, Fixed Income, Real Estate, Infrastructure, Private Credit, Cash.

Benchmark Return – The benchmark return is the return that would be achieved if the Fund Manager had not deviated from the weightings of each asset class given to them by the Pension Committee and had achieved returns in each of these asset classes consistent with the average return of all Local Authority Funds for that class. The Benchmark weightings of asset classes is outlined within the Investment Strategy Statement.

Corporate Governance – Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management.

Equities – Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are normally entitled to vote at shareholders' meetings.

Fixed Income/Bonds – Investments in mainly government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a stated future date, but which can be traded on the Stock Exchange in the meantime.

Fund/Investment Manager – A person or company to whom the Investment of the whole or part of the assets of a fund is delegated by the Trustees.

Investment – An asset acquired for the purpose of producing income and Capital Gain for its owner.

Independent Investment Adviser – A professionally qualified individual or company whose main livelihood is derived from providing objective, impartial Investment advice to companies, pension funds or individuals, for a stated fee.

Market Indicators – (i) The movement in stock market are monitored continuously by means of an Index made up of the current prices of a representative sample of stock. (ii) Change in the rates at which currencies can be exchanged.

Market Value – The price at which an investment can be sold at a given date.

Out performance/Under performance – The difference in Returns gained by a particular fund against an 'Average' Fund or an Index over a specified time period i.e. a Target for a fund may be out performance of a Benchmark over a 3-year period.

Passive Management – (also called Indexation/Index Tracking) A style of Investment Management which aims to construct a Portfolio in such a way as to provide the same Return as that of a chosen Index i.e. Stocks are purchased to be as representative as possible of the makeup of the Index. Contrasts with Active Management.

Performance – A measure, usually expressed in percentage terms, of how well a fund has done over a particular time period – either in absolute terms or as measured against the 'Average' Fund or a particular Benchmark.

Performance Measurement – A service designed to help investors evaluate the performance of their investments. This usually involves the comparison of a fund's performance with a selected Benchmark and/or with a Universe of similar funds. The main Performance Measurement Companies are Northern Trust, which the Dyfed Pension Fund uses, and PIRC.

Portfolio – A collective term for all the investments held in a fund, market or sector.

Preserved Benefits – The pension benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the Pension scheme before normal retirement age.

Return – The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Risk – Generally taken to mean the Variability of Returns. Investments with greater risk must usually promise higher returns than more 'stable' investments before investors will buy them.

Transfer Value – Payments made between funds when contributors leave service with one employer and decide to take the value of their contributions to their new fund.

Unrealised Increase/(Decrease) in Market Value – The increase/(decrease) in market value, since the purchase date, of those investments held at the year end.

Weighted Average Carbon Intensity (WACI) – Portfolio's exposure to carbon-intensive companies, expressed in tons CO_2e / \$m revenue. Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).

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