DYFED PENSION FUND

Annual Report & Accounts 2022-2023

Administered by:

Cyngor Sir Gâr
Carmarthenshire County Council

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Chair's Foreword

It is with great pleasure that I present the 2022-2023 Annual Report and Accounts of the Dyfed Pension Fund.

This year's highlight was the results of the triennial actuarial valuation as at 31 March 2022. Over the three years since 31 March 2019 the funding level of the Fund has increased from 105% to 113%. This is obviously very pleasing and is primarily due to the strong investment returns achieved by the Fund. However, as we all know, the Fund takes a long-term approach and there is still a great deal of uncertainty with high inflation, the continuing Russia/Ukraine conflict, high interest rates, climate change and the slowdown of like expectancy improvements. A Strategic Asset Allocation review has commenced following this valuation and the outcome will be presented to the committee in September 2023.

Also, during the year, the committee was presented with the Fund's Carbon Footprint position of its equity portfolio as at 31 March 2022. It illustrated that the Weighted Average Carbon Intensity had reduced by 15% from September 2020. This demonstrates how seriously the committee takes this subject and is further exemplified by our decision to invest £150m in the Sustainable Equity fund which will be launched by the Wales Pension Partnership (WPP) in June 2023.

Moving on to the WPP, the Dyfed Pension Fund now has 39% invested across global equities and fixed income with a further 40% is invested in the jointly procured BlackRock pooled funds. The training that WPP provided during the year focused on Private Market Asset Classes & the role of the Allocator and the Governance & Administration of the pool, among other topics. This training is invaluable for pension committees, pension boards and officers in that it keeps us all "up to speed" on developments in the LGPS which is continually evolving.

Robeco is the voting and engagement provider for the pool and assists the WPP in formulating and maintaining a Voting Policy and Engagement Principles that are in keeping with the Welsh Constituent Authorities' membership of the Local Authority Pension Fund Forum ('LAPFF'). The Dyfed Pension Fund has been a member of LAPFF for many years and utilises its resources together with Robeco to ensure that our stock is voted on and we achieve the most effective engagement outcomes for our members.

The Pensions Administration team continued to work diligently during the year for all our employers and members. The team, amongst other projects, increased the number of registered 'My Pension On-line' users by actively encouraging scheme member take up, continued with the production of a more detailed and personalised update for each pensioner, continued with the GMP Reconciliation exercise and undertook a Data Quality exercise for the Local Government, Police and Firefighter Pension Scheme, reporting the findings to the pension committee and The Pensions Regulator.

The membership increased again in 2022-2023 to 54,555 with active members making up the majority and an even split between deferred and pensioners. This does not tell the whole story though as the workflow undertaken by the team includes actual retirements, retirement estimates, starters, transfers in, transfers out, aggregation and leavers which is a phenomenal amount of work.

There were no changes to the membership of the pension committee during the year but subsequently in May 2023 Cllr Denise Owen left the committee and Cllr Neil Lewis joined. I would personally like to thank Denise for her contribution and wish her well for the future and welcome Neil.

I would like to thank the members of the Pension Committee who continue to rise to the challenge of providing governance, stewardship and direction for the Fund. My thanks also go to the senior managers and officers in the Administration and Investment teams for their commitment and hard work towards delivering a quality service during the year. I can assure you that the Fund recognises that the LGPS continues to be a high quality and highly valued defined benefit pension scheme for public sector workers.

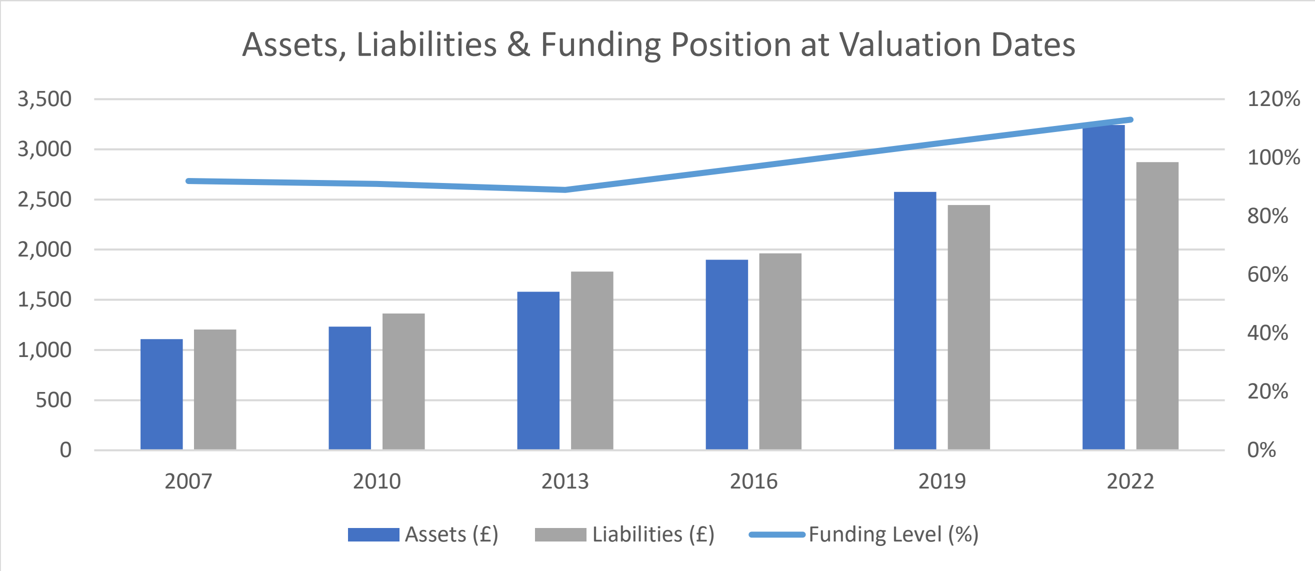
I hope this gives you a flavour for the progress of the Fund during the year and you enjoy reading the detail in the rest of this report.

Councillor Elwyn Williams

Chair of the Dyfed Pension Fund Committee

Introduction

The Chair, in his Foreword, has highlighted that the triennial actuarial valuation results were received during the year. I have set out below how the funding level has moved over the last few years:



The increase in the funding level over the years, and to 113% as at 31 March 2022, is obviously very pleasing but it is my responsibility, as Treasurer/Section 151 officer of the Dyfed Pension Fund, to ensure that we invest and manage the Fund's assets, set employer contribution rates, collect employer and employee contributions and pay pension benefits as they fall due. With this background in mind cash flow is very important for the Fund. We have a robust cash flow model which ensures that the £130m of expenditure and income during the year is managed effectively.

The Dyfed Pension Fund returned -2.9% during the year which was below the LA Universe and was a result of our low allocation to alternative assets. However, over the longer term it continues to perform well both in actual terms and relative to inflation:

	3 Year (%)	5 Year (%)	10 Year (%)	20 Year (%)
Fund	9.8	5.5	7.6	8.6
Average	9.5	5.9	7.3	8.4
CPI Inflation	6.0	4.3	2.8	2.7
Ranking	32	60	24	28

Perhaps I do not mention them often enough, but the Pension Board members provide a valuable service in their role as assisting Carmarthenshire County Council (as the scheme manager) in the management of the Fund, providing oversight and challenge and keeping the committee and officers "on their toes". The Pension Board is expertly chaired by John Jones and during the year offered challenge on issues as diverse as any breaches in service delivery, the risk register, the performance of the pension administration service including examining workflow statistics and review and discussion on the decisions of the pension committee. They are also regular attendees at the virtual training sessions that are provided by the Wales Pension Partnership (WPP).

Carmarthenshire County Council's responsibility as the host authority for the WPP continues to provide an excellent service for the pool. During the year WPP launched the Infrastructure and Private Credit investment programmes and appointed Schroders Capital as the allocator for the Private Equity programme. The pool has also remained a signatory to the UK Stewardship Code. As the host authority we are involved in and provide support to all aspects of this work and will be extremely committed to working with all parties in the procurement of the operator contract in 2023-2024.

I would like to take this opportunity again this year to thank my pension teams and the Head of Financial Services for the commitment and hard work they have shown towards delivering an excellent service throughout the year. Despite the increasing workloads and the ever-changing pensions world staff continue to place the scheme members first and this is valued by our members and those responsible for the governance of the Scheme.

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 2022-23 the Committee members were:

- Councillor Elwyn Williams - Chair of the Committee
- Councillor Dai Thomas - Committee Member
- Councillor Rob James - Committee Member
- Councillor Denise Owen - Substitute Committee Member

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 2022-23	**Cllr Elwyn Williams**	**Cllr Dai Thomas**	**Cllr Rob James**	**Cllr Denise Owen**
Voting rights	✓	✓	✓	
2022-23 Meeting attendance:				
Committee Meeting 28 June 2022	✓	✓	✓	✓
Committee Meeting 11 October 2022	✓	✓	✓	
ACM 22 November 2022	✓	✓	✓	
Committee Meeting 23 November 2022	✓	✓	✓	
Committee Meeting 28 March 2023	✓	✓	✓	

2022-23 Training events:				
Business Meeting (LAPFF) July 2022		✓		
Schroders Briefing September 2022	✓	✓	✓	✓
Investment Summit (LGC) September 2022		✓		
WPP Training Session September 2022			✓	✓
AGM & Business Meeting (LAPFF) October 2022		✓		
WPP Training Session October 2022	✓			
Fundamentals Training October 2022			✓	✓
Baillie Gifford LGPS Seminar November 2022	✓		✓	
Russell Investments Summit November 2022	✓			
Fundamentals Training November 2022				✓
WPP Training Session December 2022	✓			
Fundamentals Training December 2022			✓	✓
Annual Conference (LAPFF) December 2022		✓		
Business Meeting (LAPFF) January 2023		✓		
WPP Training Session February 2023	✓			
Investment Seminar (LGC) March 2023	✓			

The Fund's Independent Investment Adviser: Mr Adrian Brown (MJ Hudson Investment Advisers/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 8) 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 2022-23 against budget:

	Actual 2021-22 £'000	Budget 2022-23 £'000	Actual 2022-23 £'000	Variance 2022-23 £'000
Income				
Employee Contributions	22,847	23,045	24,686	1,641
Employer Contributions	66,168	68,339	71,231	2,892
Transfers In	4,196	3,000	4,999	1,999
Investment Income	32,138	16,898	27,472	10,574
Total Income	**125,349**	**111,282**	**128,388**	**17,106**
Expenditure				
Benefits Payable	(92,402)	(93,908)	(99,423)	(5,515)
Transfers Out	(3,534)	(3,120)	(4,530)	(1,410)
Management Expenses	(1,976)	(2,255)	(2,296)	(41)
Investment Management Expenses	(12,435)	(11,999)	(11,271)	728
Total Expenditure	**(110,347)**	**(111,282)**	**(117,520)**	**(6,238)**
Changes in the Market Value of Investments	178,055	-	(110,937)	-
Net Increase/(Decrease) in the fund	**193,057**	**-**	**(100,069)**	**-**

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 8). 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 9 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.

Asset Allocation

Mandate	Approach	Manager	Benchmark (%)	Actual (%)
Equities		**Allocation**	**65.00**	**74.62**
Global	Active	Wales Pension Partnership		31.20
Japanese	Active	BlackRock		3.63
Other Regional	Passive	BlackRock		29.87
ACS Low Carbon	Passive	BlackRock		9.92
Fixed Interest		**Allocation**	**10.00**	**7.57**
Index Linked Gilts	Passive	BlackRock		0.34
Fixed Interest Bonds	Active	Wales Pension Partnership		7.23
Property		**Allocation**	**15.00**	**12.99**
Property	Active	Schroders		11.45
Property	Active	Partners Group		1.54
Infrastructure		**Allocation**	**5.00**	**0.00**
Infrastructure				0.00
Alternatives		**Allocation**	**5.00**	**3.96**
SAIF	Active	BlackRock		3.96
Cash		**Allocation**	**0.00**	**0.86**
Cash	Active	Various		0.86
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 decreased by 3.1% from 2021-22 to 2022-23:

	Value as at 31/03/22	Value as at 31/03/23
	£'000	**£'000**
UK Equities	570,137	562,035
Global & Overseas Equities	1,778,321	1,778,461
Index Linked Gilts	31,515	10,781
Fixed Interest Bonds	247,621	226,700
Property	461,700	407,472
Alternatives (SAIF)	120,559	124,097
Cash	24,969	27,061
Accrued Income	1,855	73
Total	**3,236,677**	**3,136,680**

Investment Performance

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

Periods to 31/03/23	Return (%)	LA Universe (%)	Out/(Under) Performance (%)	Ranking
1 year	(2.90)	(1.60)	(1.30)	47
3 years*	9.80	9.50	0.30	32
5 years*	5.50	5.90	(0.40)	60
10 years*	7.60	7.30	0.30	24
20 years*	8.60	8.40	0.20	28
30 years*	8.10	7.70	0.40	4

*Annualised Returns

Individual Managers' Performance

The following tables show the performance of each manager for the year ending 31 March 2023.

Partners Group

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 6.5%. 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 2023. The valuation of the property portfolio is above the original cost of investment:

Portfolio investments	
Committed	£100.45m
Commitment level - directs	24.66%
Commitment level - secondaries	31.69%
Commitment level - primaries	47.20%
Invested	£86.32m
Investment level	85.94%

Partners Group Red Dragon, L.P.	
Commitments	£97.00m
Capital contributions	£69.06m
Capital contributions (in % of commitments)	71.20%
Unfunded commitments	£27.94m
Distributions	£43.80m
Net asset value	£48.23m
Net return (1 year)	(2.70)%
Net return (inception to date)	6.50%

Schroders

The manager outperformed the benchmark over the one and three year periods by 2.60% and 0.20% respectively. The manager met the benchmark over the five year period.

Performance to 31/03/23	Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	(11.90)	(14.50)	2.60
3 years*	2.80	2.60	0.20
5 years*	2.50	2.50	0.00

*Annualised Returns

BlackRock

The manager outperformed the benchmark over the one, three and five year periods by 1.79%, 2.08% and 6.34% respectively.

Performance to 31/03/23	Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	0.06	(1.73)	1.79
3 years*	12.56	10.48	2.08
5 years*	6.34	0.00	6.34

*Annualised Returns

Wales Pension Partnership

Global Growth Fund

The Fund outperformed the benchmark over the one year period by 0.89%. The Fund underperformed the benchmark over the three year period by -0.20% and since its inception in February 2019 by -0.39%.

Performance to 31/03/23	Net Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	(0.54)	(1.43)	0.89
3 year	15.27	15.47	(0.20)
Inception to Date	9.40	9.79	(0.39)

Global Credit Fund

The Fund underperformed the benchmark over the one year period by -1.71%. The Fund has outperformed the benchmark since its inception in August 2020 by 0.15%.

Performance to 31/03/23	Net Return (%)	Benchmark (%)	Out/(Under) Performance
1 year	(8.27)	(6.56)	(1.71)
Inception to Date	(4.79)	(4.94)	0.15

BlackRock

Fund Returns 1 April 2022 to 31 March 2023

Returns %	12 Months to 31-Mar-23	
	Account (%)	Index (%)
Aquila UK Equity Index Fund	2.98	2.92
Aquila Life European Equity Index Fund ex UK	7.63	8.24
Ascent Life Japanese Equity Fund	3.93	1.95
iShares Emerging Market Index Sub Fund	-5.10	-4.91
ACS World Low Carbon Equity Tracker Fund	-1.46	-4.68
Total Fund	**0.06**	**-1.73**
Index Linked Gilt Portfolio	-30.42	-30.44
Total Fund including UK Index Linked Gilts	**-1.00**	**-**

Source: BlackRock 2023

BlackRock Performance

Over the last year, Dyfed Pension Fund's Main Portfolio returned 0.06% for the period compared to a composite index return of -1.73%, thereby outperforming the index by 1.79%. The passively managed funds tracked the indices they are managed against.

On the active side, the Japanese Equities outperformed the benchmark by 1.98%.

Outlook

We ended 2022 with a more positive outlook on market volatility, however, optimism for an economic restart in 2023 was dampened by the rise in inflation and gilt rates. We are closely monitoring inflation, the increases in rates, and the impact of these on the outlook for growth. We believe the Fund will benefit from inflation linkage, given c.68% of SAIF's exposure is explicitly (via contractual terms) or implicitly (via floating rate notes) linked to inflation. Should the economy slow down, we believe the Fund has a well-diversified portfolio of defensive assets that have stood the test of the pandemic and is well positioned to continue to deliver resilience, income security, and durability.

Environmental, Social and Governance (ESG)

At BlackRock, we have always focused on helping our clients try to reach their long-term investment goals through resilient and well-constructed portfolios. Our investment conviction is that ESG-integrated portfolios can provide better risk-adjusted returns to investors over the long term, and that ESG-related data provides an increasingly important set of tools to identify unpriced risks and opportunities within portfolios. ESG is integrated across our active portfolios in both public and private markets. In index portfolios where the objective is to replicate a predetermined market benchmark, we engage with investee companies on ESG issues to enhance long-term value for our clients.

Responsible Investment

Proxy voting at BlackRock is centralized within the Investment Stewardship team of over 70 specialists. As a fiduciary to our clients, our firm is built to support the long-term value of assets our clients are invested in. 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 Investment Stewardship Example

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 – carbon emissions and fossil fuel reserves. The index is designed to achieve a target level of predicted tracking error while minimizing the carbon exposure and excluding companies with exposure to Fossil Fuels.

Annual to 31 March 2023, BlackRock's ACS World Low Carbon Equity Tracker Fund had 911 companies within the portfolio. Over the period, there were 1,058 company engagements and, of that, 590 individual companies were engaged. Regionally, this transpires to 55% of engagements occurring within the Americas, 32% within EMEA and 13% in APAC. In terms of voting statistics, BlackRock voted on 97.5% of the 963 votable meetings and 95.2% of the 13,555 proposals (management and shareholder).

Strategic Alternative Income Fund (SAIF)

2022 was a volatile year overall with heightened uncertainty rooted in persistence of inflation and the lagged impact of rate hikes, including the knock-on effects on banks, credit tightening and the economy. Against this backdrop, the Secure Alternative Income Fund ("SAIF", "the Fund") has continued to deliver resilience, weathering a volatile market, and providing security of income to our investors through a challenging time. SAIF's flexible, multi-asset approach, supported by BlackRock's broad and differentiated access across secure income markets, has enabled its investors to capitalise on attractive opportunities throughout various market regimes since the Fund's inception in 2017.

SAIF's highly diversified approach to investing spans cash flow types and duration, in addition to strategies and sectors. We continue to believe that a flexible and balanced approach allows us to better capture relative value through the investment cycle while being more aptly suited to partially absorb the impact of higher rates and inflation.

Quarter over quarter, as of Q4’22, the Fund delivered a net total return of -2.9%, of which +1.2% was from income. During 2022, the Fund generated a net total return of -4.6%, of which +5.2% was from income. Q4’22 investment activity was relatively muted resulting in c.£22m or c.4.4% of the fourth and fifth close commitments being called. Subsequent to quarter end, however, investment activity increased resulting in £125m being called and the full deployment of fourth close capital commitments as well as 10% of the sixth and latest close (Q4’22) commitments being drawn.

The Fund’s cash flows continue to have an estimated weighted average life in excess of 10 years and a tenor of c.10-15 years, c.82% of investments are UK based and c.38% are explicitly linked to UK inflation. SAIF is invested in five asset classes, spanning more than 20 sectors and has made selective use of its flexibility to invest in non-Sterling opportunities that are additive, differentiated, and offer attractive risk-adjusted returns. As of 31 December 2022, SAIF has made 186 investments on a look-through basis across 68 direct investments and two fund investments.

Deployment

SAIF held a sixth close in Q4’22, adding £175 million of incremental commitments and bringing total commitments to £1,737 million across 28 clients. During 2022, the Entity called approximately £260 million of commitments. By year end, contributed capital stood at £1,290 million. Investors in the first, second (including Dyfed) and third closes have fully deployed commitments. Fourth and fifth close (including Dyfed’s additional commitment) commitments were 86% and 40% deployed, respectively.

During 2022, SAIF made around 13 investments, including funding existing commitments to several investments. In Q2’22 for example, SAIF invested c. $43.5m in Project Dorset, a long-term refinancing (green bond) of the financing vehicle for the group that holds the Concession Agreement for the Channel Tunnel. Another example of SAIF’s flexibility and focus on relative value is Project Jordaan, which provided debt financing to support the acquisition of a Dutch e-bike component manufacturer that develops and sells the transmission units for electronic bikes. This opportunity generates an attractive risk-adjusted return by investing e-bikes while also helping people transitioning away from using automobiles to alternative modes of transport.

As of March 2023, Dyfed’s commitment to the second close (£120m) is 100% deployed and the more recent commitment to the fifth close (£30m) is 40% 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.

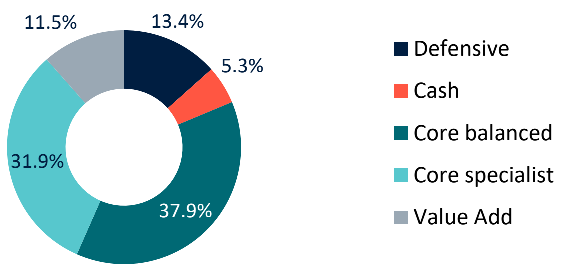
Gavin Lewis, Managing Director

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 2023 the value of the property portfolio stood at circa £386 million. The portfolio strategy has evolved over the last 13 years, 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 gives Dyfed access to best in class specialist managers and has given Dyfed exposure to emerging niche strategies such as retirement living and social supported housing. The strategy has also evolved to incorporate ESG into all aspects of the investment process, including the selection and monitoring of funds and reporting to clients.

The look-through sector structure of the UK portfolio is broadly in line with the Schroders House View i.e. underweight to retail compared to the benchmark and overweight to industrials and non-mainstream 'alternative' sectors. By fund style, approximately 37.9% of the portfolio by value is invested in UK core balanced strategies and 31.9% in core specialist strategies. 13.4% of the portfolio is now invested in defensive strategies such as convenience retail and real estate debt that provide downside protection. The exposure to value add strategies has increased substantially over the last year to 11.5% . We forecast these will be highly accretive to overall portfolio returns over the next three years.

Portfolio value by fund style (as at 31st March 2023)



Note: Chart includes cash held with client

The Task Force for Climate-Related Financial Disclosure (TCFD)

The Task Force for Climate-Related Financial Disclosure (TCFD) aims to mainstream reporting on climate-related risks and opportunities in organisations' annual financial filings. The TCFD framework is applicable to all sectors including real estate. The recommendations are structured around four sections: Governance, Strategy, Risk Management, and Metrics and Targets. Schroders publicly supported the TCFD's recommendations in 2017 along with over 100 other corporates. There are now over 1,000 supporters. Schroders has set out a Climate Transition Action Plan which can be accessed by clicking here. We have a responsibility to manage the capital our clients entrust to us and to protect it from risks that climate change poses to support investment performance for the longer term.

When assessing how we approach the increasing risk of climate change impacts within real estate and in order for effective investment decision making, a number of advancements across the sector are required according to the latest insights from Schroders Capital Real Estate

Sustainability Team. These advancements are briefly set out below with more information available here.

- Engagement with insurers and valuation professionals to understand how building and city adaptation will impact values.
- Integration of energy & carbon impacts of future climatic scenarios into net zero strategies must be improved.
- Collaboration with local/regional public bodies to understand potential exposure/opportunities for assets and cities.
- Enhanced due diligence to require broader climate risk analysis.
- Greater understanding of connectivity and reliance upon at-risk infrastructure.

Moving forward, it is critical that climate mitigation efforts are considered in tandem with adaptation to physical risks, to avoid unwanted trade-offs or contradictions in efforts to achieve wider ESG ambitions. Effective adaptation will require early collaboration across multiple stakeholders. As part of Schroders ongoing commitment to climate change the Solutions Real Estate team continues to look for ways to reduce emissions from buildings, and increase the climate resilience of our portfolios.

Schroders Net Zero 2050 Commitment

Schroders Capital Real Estate has committed to achieving Net Zero Carbon by 2050. Our Pathway to Net Zero Carbon can be accessed by clicking here. 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 1.5Oc, 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 are in the process of ensuring these managers establish Net Zero Carbon Pathways that include setting interim targets. We will monitor their progress to assess that they are on track to achieve Net Zero emissions by 2050.

Carbon Footprint

The table below presents the carbon footprint of Dyfed's real estate portfolio composition as at 31st March 2023. We calculate the portfolio's carbon footprint by multiplying the percentage ownership of each fund by the respective fund's carbon emission output in tonnes as reported by the manager. The output of each fund is summed to create an emissions total for Dyfed's portfolio. The carbon footprint is then presented in terms of how many tonnes of carbon dioxide is emitted at portfolio level alongside a scope I, II and III emissions breakdown. Over the last year estimated emissions have increased from 6.3 carbon tonnes per £ million invested to 12.3. This is due to: 1) the fall in the value of the portfolio; and 2) an increase in investment in value add and real estate debt funds where carbon emissions data is not yet available. We are able to estimate emissions data across 76.8% of the portfolio. Data collection rates are improving across the industry however it will be a few 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 fund investments to provide increased transparency in the reporting of carbon emissions.

Dyfed Portfolio Value 31st March 2023	£386,205,581	Emissions Estimated	
% of portfolio where emissions have been reported	46.6%	% of portfolio covered via extrapolation	76.8%
£ of portfolio where emissions have been reported	£170,638,001	£ of portfolio where emissions have been reported	£280,957,340
Scope 1 GHG emissions (tonnes)	211	Scope1 (carbon tonnes)	316
Scope 2 GHG emissions (tonnes)	408	Scope2 (carbon tonnes)	596
Scope 3 GHG emissions (tonnes)	1,771	Scope3 (carbon tonnes)	2,545
Total GHG emissions (tonnes)	2,390	Total carbon tonnes	3,457
Total GHG emissions per £m	14.0	Carbon tonnes per £m	12.3
Emissions not reported			
% of Dyfed portfolio not covered	23.2%		
£ of portfolio where emissions have been reported	£84,927,041		

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

Performance

The UK commercial market has seen a sharp correction in prices over the last twelve months to end March 2023. Driven by high inflation and rising interest rates, capital values have fallen by circa 21% from their peak in June 2022. This is the sharpest correction since the period following Lehman Brother's failure in 2008. An adverse shift in investor sentiment as higher interest rates impeded debt-backed buyers and the fall in equity and bond prices left some institutions over-allocated to real estate.

Although absolute returns from real estate of -14.5% over the last twelve months to March 2023 have been very weak, on a relative basis Dyfed Pension fund's real estate portfolio has fared well by outperforming its benchmark by +2.6% to deliver a total return of -11.9% over the same period. Over the last couple of years when UK real estate returns were high (and yields were low), we restructured the portfolio to include more defensive style strategies in anticipation of a market slowdown. As a result Dyfed's 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 6.5% net of all fees and costs versus the benchmark return of 6.4% per annum.

UK Property Outlook

Looking at real estate from a 'fair value' perspective, the current gap between property yields and bond yields looks too narrow given the weak outlook for the economy. Commercial real estate values could fall further in the coming months unless we see a marked reduction in inflation and interest rate expectations. Investors remain focused on de-risking by rationalising portfolios to hold better quality assets and in sectors that are less sensitive to economic changes or driven by structural factors such as demographics and significant supply shortages.

The properties and sectors that we believe are likely to outperform over the next 12-24 months will be those with strong demand and supply fundamentals such as grocery and discount retail formats; and those with good prospects for rental income growth particularly those with inflation linked income streams such as student accommodation, healthcare, social supported housing and other residential formats such as hotels.

Portfolio Strategy

The current portfolio comprises several holdings that offer downside protection, such as convenience retail and real estate debt that enhance the risk adjusted returns and are providing resilience during this period of lower returns from the wider real estate market.

Going forwards, strong performance is expected to feed through from our three opportunistic strategies that have been in their deployment or ‘J-curve’ phases over the last three years; UK Retirement Living Fund, Social Supported Housing Fund and Schroders Special Situations Fund. Representing just under 16% of the portfolio when fully invested, there is significant embedded growth in these strategies.

We are holding higher than average levels of cash following receipt of redemption proceeds from relative weak performing funds that we viewed as being more vulnerable to a market slowdown. We plan to reinvest cash received from redemption proceeds into new value add strategies that that reflect our view on current value and active management opportunities with a focus on delivering superior ESG credentials. Our timing for making these investments is in the second half of 2023 when we expect the market to have reached a floor enabling us to take advantage of distressed market pricing. We will continue to reduce our weighting to investments that are exposed to parts of the market that remain overpriced and are at risk from further capital and structural decline.

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 30 June 2023, the unrealized portfolio comprised 8 direct investments, 12 secondary transactions and 12 primary commitments, demonstrating a diversified portfolio across investment types and sectors (see Figure 1). The portfolio is in value creation and realization mode and continues to distribute to Dyfed Pension Fund.

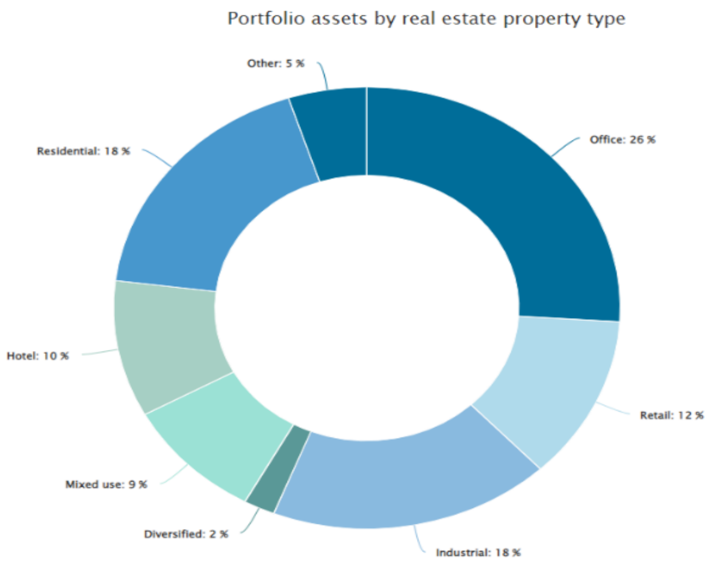


Figure 1

Exit activity

Over the previous 12 months, the program has made GBP 4.2 million in distributions. The most notable distribution was received during Q2 2023 from the divestment of the Manchester Logistics Portfolio (Ferguson), which was realized 2 years ahead of its underwritten exit date for an investment multiple of 1.58x.

New investments

The portfolio did not make any new commitments during the last 12 months. Underlying investments continue to draw upon previous commitments, consequently the program has called GBP 2.8 million in capital over the last 12 months. The most notable assets acquired was through Osae I Joint Investment Vehicle, which acquired several hospitality assets during Q3 2022 located in France.

Portfolio development

At 30 June 2023 the program NAV is GBP 42.7 million. Over the period, Partners Group Red Dragon's net investment multiple decreased from 1.36x to 1.31x reflecting the broader macro-economic challenges weighing on current valuations. Partners Group's prudent underwriting and active management continues to support the value creation in its portfolio investments, while continuously evaluating divestment opportunities.

Real Estate Market

Global investment activity has been muted during the year under review, with the number of real estate investments dropping to levels seen in the first year of COVID-19. The investment activity continued to decline during the first quarter of 2023, posting a year-on-year decline of 52% in investment volume to USD 211 billion.

Global uncertainty is likely to persist for the next 6+ months as the real economy absorbs the impact of monetary tightening. However, the approaching large wave of maturities, of which many will grapple with insufficient liquidity, should bring more previously hesitant owners to the table at attractive prices, introducing a highly conducive environment for long-term value creation across sectors.

Inflation rates in Europe, which have been lagging the US, remain elevated. This has resulted in multiple rate hikes to date may potentially result in further hikes. As such further repricing across sectors is anticipated. In the UK, monthly performance data show early signs that capital value correction is moderating.

ESG in Real Estate at Partners Group

Achieving net zero

Partners Group are committed to working towards net zero carbon emissions across the entire organization and managing the Red Dragon portfolio towards the Paris Agreement goal of achieving net zero by 2050. Partners Group has further committed to reducing the carbon emission intensity of the portfolio by 50% by 2035. Partners Group's Climate Change Strategy outlines the firm's approach towards achieving these goals. The strategy aligns with the Task Force on Climate-related Financial Disclosures' (TCFD) recommended disclosures.

Partners Group assesses ESG within real estate on an asset-by-asset basis, recognising that we will have a part to play in improving the asset throughout our ownership process whether this is direct or through a third-party real estate manager. In early 2023, the company established a real estate specific sustainability with 11 key targets along Environmental, Social and Governance topics. The company has also been a GRESB participant for the third year in a row.

Within the Red Dragon portfolio, the Rhino investment, an office portfolio of 11 assets located in Poland embodies well Partners Group's commitments to sustainability. All assets are certified BREEAM excellent, credentials that generate on average higher rents by attracting ESG-sensitive tenants. In 2022, 48% of the portfolio's electric consumption was generated by on-site photovoltaic arrays considerably reducing its reliance on the polish electric grid, which still heavily relies on carbon intense generation.

Another recent investment made in Poland was showcased in Partner's Group latest Corporate Sustainability Report (page 29-30).

ESG risk considerations

All investments are subject to ESG due diligence, which includes dedicated climate-related due diligence. These requirements are set according to the climate sensitivity of the property type, in line with the climate-related factors identified by the Sustainability Accounting Standards Board (SASB).

An additional risk that Partners Group considers is that of an asset becoming "stranded". This occurs when an older asset fails to adhere to changing regulations or becomes vulnerable in the face of environmental factors. Assets such as offices and residential buildings are increasingly vulnerable to changes in regulation such as minimum energy efficiency requirements, given the pace of change observed in the current market. Partners Group is currently assessing its portfolio against the CRREM, a widely-recognised tool to support decarbonization at asset level.

ESG: transformational investing in real estate

Partners Group focuses on transformational investing. Within real estate, our vision for transformation goes beyond the hardware upgrades and encompasses environmentally conscious and people-oriented building modernization. We view this as an opportunity to make meaningful contributions to global ESG efforts; our end products are not only sustainable but also promote the wellbeing and connectivity of end users.

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 including Cardiff and the Vale of Glamorgan, Clwyd, Dyfed, Greater Gwent (Torfaen), Gwynedd, Powys, Rhondda Cynon Taff and Swansea.

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 have made significant progress towards delivering on this objective. The launching of WPPs first three active equity sub-funds in 2019/20, five fixed income sub-funds in 2020/21 and the Emerging Markets equity sub-fund in 2021/22, alongside the Constituent Authorities existing passive investments, has meant that that the WPP has pooled 70% of assets.

As at 31 March 2023, the total assets of the eight Constituent Authorities was £22.5bn, £15.6bn of which is managed by the pool, see breakdown below:

Asset Class	Managed by	Launch Date	31 March 2023 £000	%
Global Growth Equity Fund	Link Fund Solutions	February 2019	3,274,153	14.6
Global Opportunities Equity Fund	Russell Investments	February 2019	3,269,124	14.6
UK Opportunities Equity Fund	Russell Investments	September 2019	760,143	3.4
Emerging Markets Equity Fund	Russell Investments	October 2021	354,601	1.6
Global Credit Fund	Russell Investments	July 2020	693,665	3.1
Global Government Bond Fund	Russell Investments	July 2020	481,417	2.1
UK Credit Fund	Link Fund Solutions	July 2020	520,721	2.3
Multi-Asset Credit Fund	Russell Investments	July 2020	655,191	2.9
Absolute Return Bond Fund	Russell Investments	September 2020	559,107	2.5
Passive Investments	BlackRock	March 2016	5,074,366	22.6
Investments not yet pooled			6,812,892	30.3
Total Investments across all 8 Pension Funds			**22,455,380**	**100**

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

	31 March 2023 £000	**%**
Global Growth Equity Fund	978,714	31.20
Global Credit Fund	226,700	7.23
Passive Investments (BlackRock)	1,247,878	39.78
Investments not yet pooled	683,388	21.79
Total Investment Assets	**3,136,680**	**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 2023 was £158k.

2021-22 £000	**WPP pooling costs**	**2022-23 £000**
20	Host Authority Costs	21
115	External Advisor Costs	137
0	Transition Costs	0
135	**Total**	**158**

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	143	3,716	3,859	16	1,209	1,663	2,872	42	6,731	58
Asset pool shared costs	158	0	158	1	0	0	0	0	158	1
Transaction costs	0	1,435	1,435	6	0	2,878	2,878	42	4,313	48
Custody	0	172	172	1	39	0	39	1	211	2
Other	0	16	16	1	0	0	0	0	16	1
Total	**301**	**5,339**	**5,640**	**25**	**1,248**	**4,541**	**5,789**	**85**	**11,429**	**110**

Asset Allocation and Performance

Asset Category	Opening Value		Closing Value		Performance (1 year)	Index
	£000s	**%**	**£000s**	**%**	**%**	**%**
Pooled Assets						
UK Passive	570,137	17.6	562,035	18.0	3.00	2.92
European Passive	85,436	2.6	91,957	2.9	7.63	8.47
EM Passive	271,323	8.4	282,817	9.0	(5.36)	(4.91)
ACS World Low Carbon*	324,448	10.0	311,069	9.9	(4.12)	(0.99)
Equities Active	987,519	30.5	978,714	31.2	(0.89)	(1.43)
Fixed Income Active	247,621	7.7	226,700	7.2	(8.45)	(6.56)
Pooled Assets	**2,486,484**	**76.8**	**2,453,292**	**78.2**		
Assets not yet pooled						
Property	461,700	14.3	407,472	13.0	(8.77)	(14.49)
Alternatives	120,559	3.7	124,097	4.0	(7.84)	(24.41)

Active Equities	109,595	3.4	113,904	3.6	3.93	1.95
Cash	26,824	0.8	27,134	0.9	0.65	N/A
Index Linked	31,515	1.0	10,781	0.3	(30.38)	(30.44)
Non-Pooled Assets	**750,193**	**23.2**	**683,388**	**21.8**		
Total Assets	**3,236,677**	**100**	**3,136,680**	**100**		

Underlying Manager Fees

Reference is made under section 11.6 of the Statement of Accounts that underlying manager fees for the Global Credit Fund are not included within the investment manager fees of the Fund. During 2022-23 these underlying manager fees were £161k (2021-22: £179k).

Objectives 2023-24

Following the launch of a number of sub-funds to date, progress will continue to be made with significant rationalisation of the existing range of mandates. The operator / allocators will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the eight constituent funds and facilitate a significant move of the assets to be pooled.

In establishing the WPP pool, the prime focus has been on pooling the most liquid assets, namely equities and fixed income. In July 2021, the Joint Governance Committee appointed bfinance as WPP's Allocator Advisors and they have assisted the WPP with the identification of Private Markets Allocators for the Private Market Asset Classes. The Infrastructure, Private Credit and Private Equity allocators have been appointed and work is underway with Real Estate.

WPP's Infrastructure and Private Credit investment programmes have been launched with the Private Equity investment programme due to launch in 2023-24. No funds have yet transitioned into these programmes.

A transition timetable has been provided below:

Investment Portfolio	**Timeline for Launch / Implementation**
Sustainable Equities	Launch due mid-2023
Private Debt / Infrastructure	Investments to commence in 2023/24
Private Equity	Investments to commence in 2023/24

During 2022-23, the WPP published its second annual Stewardship Report, remaining a signatory to the 2020 UK Stewardship Code. This year has seen an enhanced approach as a responsible investor with the establishment of an engagement framework to review its engagement themes, enhanced reporting in accordance with the requirements of the UK Stewardship Code, and continued reviews of the existing sub-fund mandates to ensure compatibility with WPP's Responsible Investment and Climate Risk Beliefs. 2023/24 will see further enhancements, with the delivery of a WPP climate report, in preparation for the upcoming Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements. WPP is also working closely with its service providers to further its responsible-investment aims, including evolving its Voting Policy towards a more-encompassing Stewardship Policy, with plans to establish an appropriate Escalation Policy.

There will also be a focus on the review and development of additional WPP policies, as well as the provision of 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 a 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. Total revenue of LF Wales Revenue during 2022-23 was £1,328,759 (gross) / £1,129,506 (net) with £454,055,992 out on loan as at 31 March 2023.

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

PIRC

2022-23 Performance

- The Fund, with a return of -2.9% ranked in the 47th percentile.
- All top three funds this year were in LPPI.
- London funds performed relatively poorly with all bar one underperforming its benchmark over the period.
- Large funds had a strong year with 6 of the 7 top performers being over £5bn in value. The smallest funds largely delivered bottom quartile results.

What Drove Performance in 2022-23

- Asset class performance was generally below average – the exception being the strong result from property.
- Asset allocation had a small drag on performance. The Fund holds much less in alternative assets than other funds which was a big negative. This was offset somewhat by the benefit of the low bond commitment.

	Fund (%)	Universe (%)	Relative (%)	Ranking
Fund	(2.9)	(1.6)	(1.3)	47
Asset Class Performance				
Equity	(0.3)	0.0	(0.3)	32
Bonds	(11.6)	(9.1)	(2.7)	66
Alternative	(7.8)	6.5	(13.5)	97
Property	(3.5)	(7.9)	4.7	13

Longer Term Performance

- The Fund is ahead of the average in all bar the last five year period.
- The high equity allocation has driven the longer term outperformance.

	3 Year (%)	5 Year (%)	10 Year (%)	20 Year (%)
Fund	9.8	5.5	7.6	8.6
Average	9.5	5.9	7.3	8.4
Ranking	(32)	(60)	(24)	(28)
CPI Inflation	6.0	4.3	2.8	2.7

How Did the LGPS Perform?

- The average fund delivered a negative investment return in the latest year.
- Asset class results strongly diverged and the range of results widened.
- The average return was well ahead of the median (three quarters of funds underperformed the average).
- The Northern Pool funds and LPPI performed particularly strongly.
- Longer term results are still well ahead of inflation and funds’ actuarial assumptions.

The Latest Year

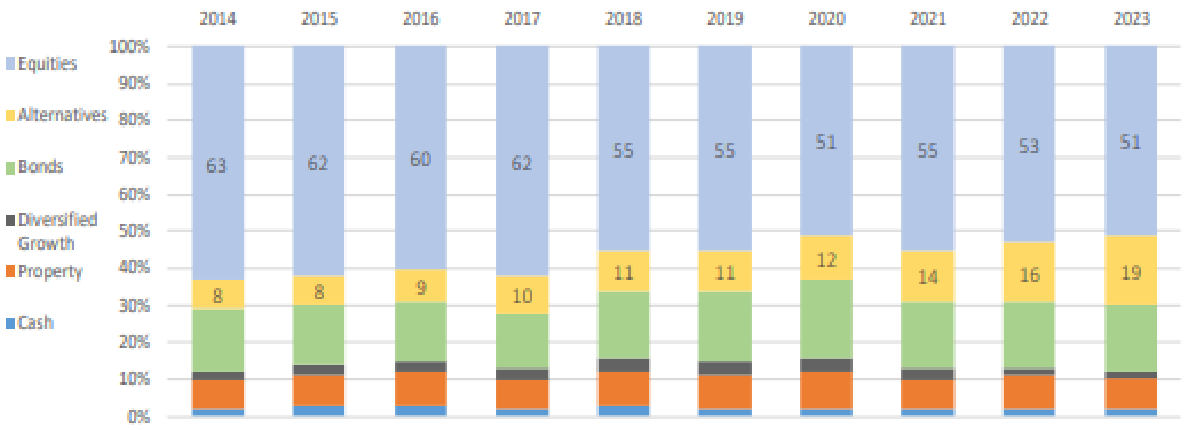
- A good year for alternative investments, the only area to deliver positive results.
- Equity performance was flat – and most active managers failed to add value.
- Bond performance was deeply negative with diversified strategies performing least badly.
- Property saw a strong decline in values over the year.

Longer Term Returns

- The best results over the longer term were delivered by equities.
- Over the medium term alternatives have performed best, driven by excellent private equity results over all periods. Infrastructure has also delivered strong returns.
- Property performance has been poor over the recent past.
- Bonds, the worst performing of the major asset classes, have now delivered a return below CPI over the last ten years.

Fund Structures

- Funds have reallocated 12% of total assets from equities into alternatives over the last decade.
- This has been the key structural change.
- Infrastructure has emerged into a significant proportion of assets.
- 2016/17 was a pivotal year in terms of equity management away from regional to global mandates.
- This was also the year funds really began to diversify bond exposure away from government to alternative forms of credit.



Karen Thrumble, Local Authority Pension Performance Analytics (PIRC)

Independent Investment Adviser

In contrast to the last couple of years, 2022/23 has not produced many new shocks on the geopolitical level – COVID recovery and the Ukraine war continue. However, some of the stresses and strains of the last few years have come home to roost – combined with political instability in the UK in particular! - and so for financial markets, 2022 has been one of the toughest on record. Usually, when equities suffer, bonds perform well (or vice versa), but in 2022, most asset classes had a very challenging year, making it a severe test for portfolio managers. In this context, your Fund's performance in the year to March 2023, down -2.9%, was very creditable.

So let's take a look back at the 2022/23 year.

Two themes have dominated the macroeconomic agenda over the last year : inflation, ever more persistent, and reaching higher levels that most forecasters anticipated ; and the rising interest rates, which Central Banks have used to try to combat the inflation. Let's look at each of these.

A number of factors have combined to restrict supply in most advanced economies – demographics and the slow return to work post-COVID have constrained workforces, resulting in surprisingly low unemployment levels ; efforts to diversify supply chains away from China, and the move from "just in time" inventories to "just in case" inventories ; and, of course, replacing Europe's significant reliance on Russian gas contributed to the enormous spike in energy costs, which ripple through to almost every corner of an economy. At the same time, consumer demand has held up surprisingly well, partly due to the low unemployment rates, but also as consumers spend the savings they built up during COVID, and as the Government stimulus from that period works through the economy. Restricted supply and strong demand has driven the highest inflation seen since the 1970s, and over the year, it has shown signs of becoming increasingly entrenched. Unfortunately, the UK is probably in a worse position than most other advanced economies, due to the additional supply constraints and political uncertainty introduced by Brexit. Headline CPI inflation (including eg. energy costs) has probably peaked around 11%, but core (underlying) inflation continued to rise to 7% after the year end.

To combat this, Central Banks around the world have been increasing interest rates, back to levels not seen since the Financial Crisis of 2009, and at a very rapid rate. This rapid rate of increases caused a crisis in the UK Government bond markets in September last year, the so-called "LDI crisis". This had serious implications for many pension schemes, but I'm pleased to say, your Fund, which has only minimal exposure to Government bonds, was relatively unaffected. However, interest rates have continued to rise post year end (at the time of writing, UK rates are expected to peak over 6%) and economists estimate that only about 1/3 of the impact of these increased rates has yet been felt in the real economy, suggesting a headwind to growth for several years to come.

Global economic growth has actually been surprisingly robust, albeit considerably slower than last year, representing a return to around trend growth compared to last year's above trend, boosted by COVID recovery. The recession, which many feared last year, has not materialised yet, although most forecasters expect a further slowing of growth in the year to come, and in some cases recession, as the impact of the higher interest rates starts to bite.

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

Firstly, investment returns: global equity markets ended the year down only 1.4%, though this disguises a near 20% fall in the first half of the fiscal year, softened partly by the weakness of GBP, and by recovery in the second half. Within that, Europe was the best performing region, up 8.7% in GBP terms, while UK (+2.9%) and Japan also performed strongly, while US (-2.5%) and Emerging Markets (-4.9%) lagged. Bonds, on the other hand, suffered in the rising rate environment : shorter term debt, such as Global investment grade corporate bonds, fell only -6.5%, but longer-term government bonds fell severely : 15+ year index-linked UK gilts fell over 30%! Alternative assets, which share some characteristics of bonds and some of equity, were in between : the UK commercial property index fell some 14%.

Secondly, liabilities : while higher interest rates can reduce the current value of the liabilities (these are bond-like), your pensions are inflation-linked, so rising inflation increases their value, and imposes a short-term pressure on the Fund's cash flow, as contributions are set until 2025, while pensions are adjusted every year.

Against this backdrop, I am pleased to say the Dyfed Pension Fund has maintained its strong funding position during the 2022/23 year, and, following last year's asset allocation changes aimed at increasing available income, is generating sufficient current cash flow. While it produced an overall return of -2.4% during the year, it has returned 10.0% p.a. over the last 3 years, and 7.7% over the last 10 years. This is in line with its composite benchmark index, and comfortably ahead of the 4.6% p.a. required over the long term by the recent 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 2023. This performance puts it ahead of the median LGPS Fund (-3.3% over 1 year, +7.2% 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, as well as its material allocation to property instead of bonds.

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

Managing overall investment risk exposure. The Fund's performance has continued to be helped by its significant exposure to equities. The Committee decided in Q1 2023 to take some profits in its equity holdings, reallocating some £50m to the Global Credit portfolio, and has also agreed a £100m allocation to the WPP Global infrastructure portfolio, part of the 5% allocation already agreed. Both these changes in asset allocation took place after the Fund's year end. Both of these investments help to diversify (reduce) the risk in equities, and both also offer a strong yield, contributing to the income available to meet the increasing cash demands of the Fund, as it matures. In addition, your Committee has agreed to conduct a review of its Strategic Asset Allocation, to ensure this remains aligned with the Fund's cashflow needs and risk appetites. This work is underway, and I will report more on this next year.

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 Committee has continued to work to ensure the Fund's alignment :-

Investments : In addition to the transition described above, your Committee agreed to allocate 5% of assets (£160m) to the new WPP Sustainable Global Equity strategy, which launched in

Q2 2023. This strategy is explicitly “Paris-aligned” and offers a carbon intensity over 40% below the equity market index. Both this and the allocation changes mentioned above, were funded from some of the more carbon intensive regional equity holdings.

Measurement : The Fund has targeted reducing its Carbon-intensity in line with the 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 19% reduction in the weighted average Carbon intensity of the Fund over the year, leaving it well ahead of its objective over the 2 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 today’s 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 10.1% from 10th April 2023 and represents the increase in the consumer price index for the 12 month period to the 30th September 2022. 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 2023/24 are as follows:

28 April 2023	31 May 2023	30 June 2023
31 July 2023	31 August 2023	29 September 2023
31 October 2023	30 November 2023	22 December 2023
31 January 2024	29 February 2024	28 March 2024

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 2023 are as follows:

Contribution table 2023/24			
Band	**Actual pensionable pay for an employment**	**Contribution rate for that employment**	
		Main section	50/50 section
1	Up to £16,500	5.50%	2.75%
2	£16,501 to £25,900	5.80%	2.90%
3	£25,901 to £42,100	6.50%	3.25%
4	£42,101 to £53,300	6.80%	3.40%
5	£53,301 to £74,700	8.50%	4.25%
6	£74,701 to £105,900	9.90%	4.95%
7	£105,901 to £124,800	10.50%	5.25%
8	£124,801 to £187,200	11.40%	5.70%
9	£187,201 or more	12.50%	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 as a result of the ‘McCloud’ Judgement will be undertaken once regulations have been amended.

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 <u>without</u>** 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

From April 2021, the Lifetime Allowance (LTA) for tax-privileged pensions remained at £1,073,100 and was due to continue at this level until 2025/26. This is the total value of all pension benefits you are able to build without triggering an excess benefits tax charge. Upon retirement you are required to declare all non LGPS pension benefits in payment, or due to come into payment, so that your LTA can be assessed. However, in the March 2023 Budget the Chancellor announced that the LTA will be amended from 23/24 and removed in its entirety from 2024/25. 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 2014 the Annual Allowance limit reduced to £40,000 and following the March 2023 Budget, this limit will increase to £60,000 from April 2023. 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 2023 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 1/80ths basis for Pensions and a 3/80ths 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 2023) 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

	31/03/2021	31/03/2022	31/03/2023
Active	18,700	18,643	19,355
Deferred	15,881	16,214	16,373
Pensioner	14,626	15,342	16,009
Undecided Leaver	2,293	2,536	2,818
	51,500	**52,735**	**54,555**

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

CIPFA Process	Benchmark	% Complete Within Legal Target
Deaths – Initial letter acknowledgement death	95%	99.40%
Deaths – Letter notifying amount of dependant’s benefit	95%	97.00%
Deferment – calculate and notify deferred benefits	95%	97.10%
Divorce quote – Letter detailing cash equivalent value and other benefits	95%	97.10%
Divorce settlement – Letter detailing implementation of cash equivalent value and application of pension sharing order	95%	100.00%
Joiners – Send notification of joining the LGPS to scheme member	95%	97.00%
Refund – Process and pay a refund	95%	99.50%
Retirements – Letter notifying actual retirement benefits	95%	98.80%
Retirements – Letter notifying estimate of retirement benefits	95%	99.90%
Retirements – process and pay lump sum retirement grant	95%	100.00%
Transfers in – Letter detailing transfer in quote	95%	96.10%
Transfers out – Letter detailing transfer out quote	95%	96.90%

Analysis of leavers during 2022-23

Category	2022-2023
Refund of contributions	341
Transfers to other schemes	58
Death in Service	15
Ill health Retirements	60
Early / Normal Retirement	208
Redundancy Efficiency Retirements	10

Flexible Retirements	29
Late Retirements	118
Opt outs	261
Preserved Benefits	883
Other leavers*	4,211
Number of deferred members re-entering the scheme	192
Total	**6,386**

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

Completed and Outstanding LGPS Cases	2022-2023
Number of Completed cases	27,649
Number of Outstanding cases	2,358

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 2022.

The data quality review undertaken in December 2022 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 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
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 36 permanent FTE staff to administer the above pension schemes. During the year to 31st March 2023, the following staff turnover occurred; 4 staff left the team and 6 staff joined the team.

The permanent members of staff dedicated to the LGPS is 23.2 FTE. As at 31st March 2023, there were 54,555 LGPS members of the Dyfed Pension Fund which equates to 2,352 scheme members per pensions administration team member. The average number of cases completed per team member during the year was 1,192.

Your Pension Section:

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

- Notified the 5 largest employers of their reassessed contribution rates applicable from 1st April 2023 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.

Looking Forward

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

- Notify Employers of their reassessed contribution rates applicable from 1st April 2024 as a result of the Actuarial Valuation exercise.
- 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 the amendment of LGPS Regulations as a result of the 'McCloud' Judgement, commence work on recalculation of all benefits.

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.

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

Well, the dust has now settled on the 31 March 2022 valuation and, as indicated in my report last year, the result was generally very positive for most employers. Over the three years since 31 March 2019, the funding level of the Fund has increased from 105% to 113% - primarily due to the strong investment returns achieved by the Fund. These strong returns have been achieved under the Fund's lower carbon asset strategy.

Although the headline funding level had improved markedly, the Fund is taking a long term approach to sustainable funding and stable contribution levels. There is still a great deal of uncertainty out there:

- inflation remains stubbornly high; core inflation particularly so;
- the Russia / Ukraine conflict is still ongoing and whilst the pressure would appear to have waned on gas prices, grain prices are rising and continue to affect food inflation;
- Interest rates continue to rise at a faster rate than anticipated, pushing up the cost of mortgages and massively impacting the cost of living for LGPS members;
- global warming and climate change has rapidly moved up the agenda for many commentators, given the recent heatwaves and wild fires;
- and finally, we are seeing the first credible evidence that the pandemic and the subsequent pressures on the NHS are slowing down life expectancy improvements.

Against this backdrop, and looking to preserve the stability of contributions as far as possible at future valuations, the Fund has implemented a surplus buffer of 105% liabilities for employers. Only surpluses above the funding level buffer can be refunded to employers through future surplus offsets; the main purpose of the buffer is to protect against the above known and unknown risks at future valuations.

At this point it's probably worth pointing out that our funding model is just that: a model. Funding risks are multi-faceted and no one can model these risks over the next 60 years or so with certainty. This is the case even for inflation and assets where there is a current trade-able market price. For some of the more esoteric risks, such as mortality and climate change it becomes even harder. Fortunately we have the opportunity to review the funding position every three-years and can update and refine the model, investment strategy and contributions accordingly.

With regard to climate change risks, the LGPS is perhaps more impacted than most defined benefit pension schemes; it is still open to accrual meaning that active employees are accruing benefits now that may not be payable for another 80 years (in the case of a 20 year old). What do we think the world will be like in 80 years? Will we have met net zero and kept global temperature to within 1.5 degrees of pre-industrial levels? How will people's lives be impacted? How will GDP be impacted?

These are just the types of questions that the Fund and its advisers are considering and the models are continuing to develop and be refined year-on-year. Whilst models all have limitations, they are better than no model at all and they serve a purpose in getting the subject matter on the table for consideration.

Aside from climate change there will be increasing pressure on the world's natural resources. In the last 200 years the world's population has grown from 1 billion to over 10 billion and it's likely to keep on growing. I suspect a lot of innovation will be needed, not only to control emissions, but also to industrialised farming practices to ensure our descendants are fed sufficiently. How will these resource demands impact life expectancy?

Many private sector schemes closed to accrual many years ago and have begun a journey to buyout over the next four or five years. For them, the long term risks above are not as relevant. With its much longer time horizon, the LGPS needs to be leading the field in this area. This is already something that the Dyfed fund has begun to think about, both when assessing funding risks and in assessing investment strategy.

We will continue to bring the best in class ideas to the Administering Authority and its officers as industry thinking evolves over time.

Clive Lewis, **Actuary, Mercer**

Section 5 - Governance

Pension Board Annual Report

This report sets out the work carried out by the Dyfed Pension Board during the financial year 2022-23 to discharge its role, in support of Carmarthenshire County Council, in managing the Dyfed Pension Fund. During the year, the work of the Board continued to be impacted by the Covid pandemic. As part of the arrangements introduced by Carmarthenshire County Council the Board met virtually in an online format on 3 occasions with one meeting in October being held on a hybrid basis.

To recap 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 below. 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.

The Board held meetings on 4 occasions during 2022/23: in May, July and October 2022 and in January 2023. In line with the arrangements put in place by Carmarthenshire County Council, these virtual meetings were arranged so that the work of the Board and governance of the Fund could continue.

The cycle of Board meetings follows the timetable for the Pension Committee and helps strengthen the overall governance of the Fund. 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 for Dyfed. 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 Pensions 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 Pension Fund annual accounts and external audit report,
- Consideration of the Fund's Responsible Investment Policy and an update on Responsible Investment,
- Consideration of developments affecting the LGPS including progress with the Wales Pension Partnership,
- Consideration and discussion on the Fund's proposals for a further Restructure of the Equity portfolio,
- 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. Cllr Philip Hughes stood down as an Employer Member representative and was replaced by Cllr Alun Lenny. On behalf of the Board, I would like to thank Philip for his support and valuable contributions at our meetings. Michael Evans also joined the Board as a Member representative. Despite the continuing disruption caused by the Covid pandemic Board meetings were well attended at 75%, in line with attendance in the previous year. Detailed attendance of Board Members is set out below.

At the end of March 2023, the Dyfed Pension Fund had total assets of £3.1 billion and a membership of 54,555 comprising pensioners, deferred pensioners and current contributors. Pension Fund investment and administration is becoming ever more complex so training and development for Members of the Pensions Committee and Board is an essential support to good governance.

In previous reports I have commented on the importance of a structured programme of training and development for individual members and the Board collectively to discharge their responsibilities. One consequence of the Covid pandemic has been the wider use of virtual training sessions. These have certain advantages in being easier to access with no travel involved; can be distributed widely and cover a range of topical issues. The Wales Pension Partnership has continued to run regular online training sessions for all Committee and Board Members across the 8 Welsh funds. In my view it is important that this initiative should continue.

With this in mind, members of the Board have attended various training sessions over the past year. The training undertaken by Board members is recorded by Carmarthenshire County Council and presented at each Board meeting for review and consideration of future events. Examples from the past year included:

- Several seminars attended by Board members on an individual basis with updates on current issues affecting the LGPS,
- Three training sessions run by the WPP.

Regular training sessions will continue to be arranged and incorporated as part of Board meetings. 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. Virtual meetings and training sessions have worked well over the past year, so this pattern of virtual and hybrid meetings should continue in the future.

Together with Pension Board Chairs from the other Welsh Funds, I represent the Board at bi-annual briefings on progress in the Wales Pension Partnership. Presentations from the host authority (Carmarthenshire County Council) and their partners Link and Russell Investments provides an opportunity for Board Chairs to ask questions and scrutinise progress on investment pooling in Wales. This new forum helps to build good working relationships between Boards and the host authority and Pool and strengthens overall governance of the Welsh pension funds.

The investment of a major part of the Fund's assets are now managed through the Wales Pensions Partnership and the BlackRock passive portfolios, and the Pension Board are updated on developments at each meeting. Out of total assets of £3.14bn, £2.45bn (78 %) is now managed on this basis. Going forward this percentage will increase and more assets are transferred into the WPP. We will continue to monitor this process and work alongside the Council in delivering the best outcome for the Fund and its beneficiaries.

Members of the Dyfed Pension Board 2022-23

- 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 Gareth Lloyd - Employer Member Representative (Ceredigion County Council)
- Paul Ashley-Jones - Employer Member Representative (Pembrokeshire County Council)

Board Member Meeting Attendance 2022-23

Date of Meeting	John Jones	Mike Rogers	Cllr. Alun Lenny	Mike Evans	Tommy Bowler	Cllr. Gareth Lloyd	Paul Ashley-Jones
3 May 2022	✓	x	n/a	✓	✓	✓	x
20 July 2022	✓	x	✓	✓	✓	x	✓
18 October 2022	✓	✓	✓	✓	✓	✓	✓
12 January 2023	✓	x	✓	✓	✓	x	✓

John Jones, Independent Chair of the Pension Board

Governance Policy Statement

Introduction

The Dyfed Pension Fund is administered by Carmarthenshire County Council (the administering authority). All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Governance Policy, under Regulation 73A of the LGPS 1997 Regulations. This regulation is superseded by Regulation 31 of the LGPS (Administration) Regulations 2008 and the 2013 Regulations. Additionally, one of the key requirements in the Public Service Pensions Act (PSPA) 2013 is for each Administering Authority in the LGPS to create a local Pension Board.

This policy has been prepared by the administering authority in consultation with appropriate interested persons.

Purpose of the Governance Policy

The regulations on governance policy requires an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:

- whether it delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority, if it does so:
    - the frequency of any committee or sub-committee meetings
    - the terms, structure and operational procedures of the delegation
    - whether such a committee or sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members, and if so, whether those representatives have voting rights
- the extent to which a delegation, or absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying.

Governance of the Dyfed Pension Fund

Within Carmarthenshire County Council's constitution, a pension committee must be set up for the Dyfed Pension Fund to:

- decide on all the policy matters and strategic direction relating to the investments of the Pension Fund
- review and monitor the investment performance of the Fund
- review and determine on all Pension Fund Valuation matters of the fund
- determine on Administering Pension Fund Authority policy and strategic matters

Operational matters of both the Investments and Administration Functions are delegated to the Director of Corporate Services.

Powers delegated to the Head of Financial Services for Pensions Administration, in accordance with The Local Government Pension Scheme Regulations 1997 or subsequent amending legislation, are:

- to collect employee and employer contributions from participating employers
- to make payments in respect of scheme benefits
- to collect and make pension transfer payments as elected by scheme members
- to determine non policy related discretions as an Employing / Administering Pension Authority

- to undertake Stage 1 determinations on disputes arising from the Local Government Pensions Scheme or related legislation
- to update and maintain the Fund's website www.dyfedpensionfund.org.uk
- the maintenance and update of membership records
- the calculation and authorisation of benefit payments
- the provision of membership data for actuarial valuation purposes
- the preparation and maintenance of the Communication Policy Statement and the Pensions Administration Strategy Statement.

The Head of Financial Services will accept for admission into the Dyfed Pension Fund employees of authorities and bodies as prescribed in Regulations, subject to an approved Admission Agreement, and subject to any necessary indemnities as appropriate.

The Pension Committee

Terms of Reference

- To exercise the County Council's responsibility for the management of the Dyfed Pension Fund, including the management of the administration of the benefits and strategic management of Fund assets
- To meet at least quarterly, or otherwise as necessary
- To produce an Annual Report by 30 September each year on the state of the Fund and on the investment activities during the year
- To have overall responsibility for investment policy and monitor overall performance
- To review governance arrangements and the effective use of its advisers to ensure good decision-making
- To receive regular reports on Scheme administration to ensure that best practice standards are satisfied and met and to satisfy itself that and justify to all stakeholders, including Fund Employers that the Fund is being run on an effective basis
- To appoint Investment Managers to discharge functions relating to the management of the Fund's investments
- To appoint the Fund's custodian, performance measurement adviser, actuary, independent adviser and AVC provider
- To approve a Funding Strategy Statement and Investment Strategy Statement

Membership

The Committee comprises of:

- three members (one acting as Chair) plus a nominated substitute to act in the absence of a member. Each member of the committee has voting rights and each committee member and the substitute are nominated by Carmarthenshire County Council, the Administering Authority, from its elected membership. At least three members must attend each committee meeting
- at least two Carmarthenshire County Council officers from the Director of Corporate Services, Head of Financial Services, Treasury and Pension Investments Manager and Pensions Manager.
- the independent investment adviser.

The Director of Corporate Services, as Treasurer of the Dyfed Pension Fund, will also maintain all necessary accounts and records in relation to the Fund.

The Treasury and Pension Investments Manager and officers in the Treasury and Pension Investments team support the Director of Corporate Services and Head of Financial Services in the responsibility for the monitoring and review of the investments of the Fund including:

- preparation and maintenance of the accounts of the Dyfed Pension Fund including preparation of the Dyfed Pension Fund Annual Report
- preparation and distribution of the annual Dyfed Pension Fund Newsletter
- servicing the Committee meetings
- regular dialogue with the Fund's advisers, investment managers and custodian
- monitoring and reconciliation of investment manager and custodian records
- preparation and maintenance of the Fund's Investment Strategy Statement, Funding Strategy Statement, Governance Policy and compliance with the Myners review
- monitoring the activity and performance of the Fund's investment managers including compliance with policy and performance objectives
- interpretation of new legislation and research in respect of the investments and accounts of the Fund
- monitoring the corporate governance activity of the Fund including attendance at the Local Authority Pension Fund Forum (LAPFF)
- arrangement and provision of appropriate training for committee members

Committee Meetings

The Pension Committee meets four times a year. All meetings are held in Carmarthenshire, or virtually using online facilities where appropriate.

An agenda, minutes from the previous meeting and written reports are sent to each Committee member by the Democratic Services Unit before each meeting. During the Committee meeting the Committee members receive reports presented by Officers of Carmarthenshire County Council, the Independent Investment Adviser and any other person the Committee invites to speak at the meeting. Committee decisions are formally minuted by the Democratic Services Unit.

During the year, meetings are held with the Directors of Finance of the three County Councils, where Fund performance and other items dealt with at the Committee meetings are discussed. Issues raised at this meeting that the Committee need to be made aware of are reported back to the following Committee meeting for discussion.

The Annual Consultative Meeting (ACM)

The Dyfed Pension Fund is committed to the widest inclusion of all stakeholders in respect of consultation and communication arrangements. Any major policy changes are put to consultation with all participating employers, Trade Union representatives and retired member representatives before a decision is made.

An Annual Consultative Meeting (ACM) is held in Carmarthenshire. The ACM is open to all participating employers, retired member representatives and Trade Union representatives. Interested bodies are notified of the ACM in advance. The Chair of the Pension Committee, the Director of Corporate Services, the Head of Financial Services, the Fund Advisers and Investment Managers attend the ACM.

Pension Board

The Board has an oversight/assisting role not a decision making role. It assists the Administering Authority (Carmarthenshire County Council) in securing compliance with regulations and requirements imposed by the Pensions Regulator and the Department for Levelling Up, Housing & Communities (DLUHC) and ensuring effective and efficient governance and administration of the Fund.

There must be equal numbers of scheme member representatives and employer representatives on the Board. The Dyfed Pension Fund Board has 3 scheme member and 3 employer representatives and an independent member who is also the Chair of the Board.

Governance Compliance Statement

DLUHC is committed to ensure that all LGPS committees operate consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by DLUHC, and where an authority has chosen not to comply, to state the reasons why.

This Governance Policy will be reviewed at least triennially or more frequently if appropriate.

Governance Compliance Statement

The purpose of the guidance is:

- To provide best practice principles against which compliance can be measured
- To provide guidance on how the compliance statement should be completed

The guidance sets out the best practice principles in relation to the following governance areas:

- Structure
- Representation
- Selection
- Voting
- Training, facility time and expenses
- Meetings (frequency / quorum)
- Access
- Scope
- Publicity

<u>Best Practice Principle A: Structure</u>

The guidance acknowledges that not all administering authorities are structured in the same way. It is not the intention to level out these differences but to ensure that structures reflect the following principles:

- The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council
- Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioners and deferreds) are members of either the main or secondary committee (established to underpin the work of the main committee)
- Where a secondary committee or panel has been established the structure ensures effective communication across both levels
- Where a secondary committee or panel has been established at least one seat on the main committee is allocated for a member from the secondary committee or Committee

Compliance Statement: Not Fully Compliant

Justification:

The Dyfed Pension Fund Committee exists and meets four times a year. The Committee has three members and a substitute, officers (all from Carmarthenshire County Council) and an independent investment adviser. Other scheme employers, admitted bodies and scheme members do not attend Committee but they are all invited to the annual ACM where all

Committee members and advisers report and are available to answer questions. Carmarthenshire County Council officers meet with officers of the other 2 major employers (Pembrokeshire County Council and Ceredigion County Council) during the year where Committee minutes are made available. This system is supported by all parties and has worked very well as evidenced by the fact that timely decisions are made, and investment performance is above the actuarial assumption over the long-term.

There is no secondary committee for the Dyfed Pension Fund.

Best Practice Principle B: Representation

The number of stakeholders affected by the local management of the pension scheme and governance of pension funds is vast and it is accepted that it would be impractical to expect individual committee structures to encompass every group or sector that has an interest in the decisions that fall to be made under the scheme's regulations.

- That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
    - employing authorities (including non-scheme employers, e.g. admitted bodies as well as scheduled bodies)
    - scheme members (including deferred and pensioner scheme members)
    - independent professional observers and expert advisors (on an ad-hoc basis)
- That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights

Compliance Statement: Not Fully Compliant

Justification:

The Committee has representatives from Carmarthenshire County Council and the independent investment adviser. Other scheme employers, admitted bodies and scheme members do not attend Committee but they are all invited to the annual ACM where all Committee members and advisers report and are available to answer questions. Carmarthenshire County Council officers meet with officers of the other 2 major employers (Pembrokeshire County Council and Ceredigion County Council) during the year where Committee minutes are made available. There is no secondary committee for the Dyfed Pension Fund.

Best Practice Principle C: Selection

It is important to emphasise that it is not part of the fund authority's remit to administer the selection process for lay members sitting on main or secondary committees or to ensure their attendance at meetings, unless they wish to do so. Their role is to determine what sectors or groups are to be invited to sit on LGPS committees or panels and to make places available.

Effective representation is a two way process involving the fund authorities providing the opportunity and the representative bodies initiating and taking forward the selection process under the general oversight of fund authority.

That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

Compliance Statement: Fully Compliant

Justification:

The Dyfed Pension Fund's Governance Policy lists the delegated functions the Committee is to perform. If membership of the committee changes, the new member/members are informed of their status, role and function they are required to perform.

Best Practice Principle D: Voting

The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

Compliance Statement: Fully Compliant

Justification:

All Committee members can vote. Carmarthenshire County Council is the Administering Authority and all functions are delegated to the Committee.

Best Practice Principle E: Training, facility time and expenses

In 2001, the Government accepted the ten investment principles recommended by Paul Myners in his report, "Institutional Investment in the UK". The first of those principles, "Effective Decision Making", called for decisions to be made only by persons or organisations with the skills, information and resources necessary to take them effectively. Furthermore, where trustees - or in the case of the LGPS, members of formal committees - take investment decisions, that they have sufficient expertise to be able to evaluate critically any advice they take.

- That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision- making process
- That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum

Compliance Statement: Fully Compliant

Justification:

The Committee have regular training sessions run by the Fund Managers, the Actuary, the Consultant and officers. New Committee members attend intense training sessions on commencement of their committee duties, including the LGPC pension training session.

Best Practice Principle F: Meetings (frequency / quorum)

An administering authority's main committee or committees meet at least quarterly.

An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

Administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.

Compliance Statement: Fully Compliant

Justification:

The Dyfed Pension Fund Committee meets quarterly. The Annual Consultative Meeting is held annually where other scheme employers, admitted bodies and scheme members are invited.

Best Practice Principle G: Access

That subject to any rules in the council's constitution, all members of main and secondary committee or committees have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

Compliance Statement: Fully Compliant

Justification:

All papers are circulated in advance to all members of the Committee, including the Committee's independent investment adviser.

Best Practice Principle H: Scope

That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

Compliance Statement: Fully Compliant

Justification:

The Committee receives and votes, on an ad-hoc basis, any major administration issues that affect the Fund. The officer managing the administration of the Fund provides regular training and updates for Committee members.

Best Practice Principle I: Publicity

That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Compliance Statement: Fully Compliant

Justification:

The Dyfed Pension Fund Governance Policy is reviewed annually. A Newsletter and Annual Report are produced annually. All published material (including the Governance Policy) are on the Dyfed Pension Fund website.

Summary

Best Practice Principle	Fully Compliant	Not Fully Compliant	Explanation for Non-Compliance
Structure		✔	The DPF structure is supported by all parties and has worked very well
Representation		✔	Regular meetings and discussion with other major stakeholders occur and an annual consultative meeting is held
Selection	✔		
Voting	✔		
Training, facility time and expenses	✔		
Meetings (frequency/quorum)	✔		
Access	✔		
Scope	✔		
Publicity	✔		

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 2022-23. They show the results of the stewardship of management, that is, the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end.

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the "Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the public sector. Reference is also made to the Financial Reports of Pension Schemes – A Statement of Recommended Practice published by the Pensions Research Accountants Group (PRAG) where it is felt that these disclosures provide more sufficient detail.

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

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

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

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

The Director of Corporate Services' Responsibilities

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

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

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

Certification of Accounts

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

Chris Moore FCCA	Date: 27 October 2023

Director of Corporate Services

Governance & Audit Committee Approval

Approval of Dyfed Pension Fund Statement of Accounts post audit.

Chair of Audit Committee	Date: 27 October 2023

Fund Account for the Year Ended 31 March 2023

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

Net Assets Statement for the year ended 31 March 2023

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

Reconciliation of the movement in Fund Net Assets

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

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

1 Description of the Fund

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

1.1 General

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

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

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

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

1.2 Membership

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

Organisations participating in the Dyfed Pension Fund include:

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

There are 69 employer organisations within the Dyfed Pension Fund as at 31 March 2023 and these are detailed in Note 20. The membership details of these organisations are summarised below:

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

These figures reflect the recorded position as at 31 March 2023 but are always subject to some movement post year end for notifications from employing bodies received after this date.

1.3 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuation as at 31 March 2019. Currently, employer contribution rates range from 9.5% to 46.2% of pensionable pay as detailed in Note 20.

1.4 Benefits

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

	Service pre 1 April 2008	**Service 31 March 2008 - 31 March 2014**
Pension	Each year is worth 1/80 x final pensionable salary.	Each year is worth 1/60 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.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1st April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

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

2 Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3 Summary of significant accounting policies

Fund Account – revenue recognition

3.1 Contributions

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

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

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

3.2 Transfers to and from other schemes

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

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

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

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

3.3 Investment income

3.3.1 Interest income

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

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

3.3.2 Dividend income

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

3.3.3 Distributions from pooled funds

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

3.3.4 Movement in the net market value of investments

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

3.4 Benefits payable

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

3.5 Taxation

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

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

3.6 Management Expenses

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

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

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

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

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

An element of one of the Investment Managers' fees is performance related. The performance related fee was £0.36m in 2022-23 (2021-22: Fee was £0.26m).

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

Net assets statement

3.7 Financial assets

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

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

3.7.1 Market-quoted investments

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

3.7.2 Fixed interest securities

Fixed interest securities are recorded at net market value.

3.7.3 Unquoted investments

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

3.7.4 Limited partnerships

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

3.7.5 Pooled investment vehicles

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

3.8 Foreign currency transactions

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

3.9 Cash and cash equivalents

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

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

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

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

3.10 Financial liabilities

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

3.11 Actuarial present value of promised retirement benefits

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

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

3.12 Additional voluntary contributions (AVC)

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

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

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

4 Critical judgements in applying accounting policies

4.1 Fund liability

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

4.2 Unquoted Property investments – Partners Group Red Dragon Limited Partnership

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31st March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Property – Limited Partnership investments	The Limited Partnership property investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Limited Partnership property investments are £48.2m. There is a risk that this investment may be under or overstated in the accounts.
Alternatives – Strategic Alternative Income Fund (SAIF)	The SAIF investments are valued in line with widely used industry guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total SAIF investment is £124.1m. There is a risk that this investment may be under or overstated in the accounts.

6 Transfers in from other pension funds

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

7 Payments to and on account of Leavers

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

8 Management Expenses

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

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

8.1 Investment Management Expenses

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

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

9 Investment Income

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

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

10 Taxation

2021-22 £'000		2022-23 £'000
(2)	Withholding tax - equities	(0)
(2)		**(0)**

11 Investments

11.1 Net investment assets

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

11.2 Reconciliation of movements in investments

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

	Fair Value 31/03/2022 £'000	Purchases £'000	Sales £'000	Fees included in NAV £'000	Cash movement £'000	Change in unrealised gains/(losses) £'000	Fair Value 31/03/2023 £'000
Pooled investments	2,748,153	72,012	(58,206)	(5,672)	0	(54,213)	2,702,074
Pooled property investments	461,700	24,166	(22,945)	(3,421)	0	(52,028)	407,472
	3,209,853	**96,178**	**(81,151)**	**(9,093)**	**0**	**(106,241)**	**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
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
	3,236,677	**96,178**	**(81,151)**	**(9,093)**	**310**	**(106,241)**	**3,136,680**

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

11.3 Realised gains and losses

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

11.4 Geographical analysis of investments

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

11.5 Fund manager analysis

Market value 31/03/22 £'000	%	Fund manager analysis	%	Market value 31/03/23 £'000
1,235,140	38.2	Wales Pension Partnership	38.4	1,205,414
1,235,140	**38.2**		**38.4**	**1,205,414**
1,514,713	46.8	BlackRock	48.0	1,503,729
440,490	13.6	Schroders	12.1	379,305
46,334	1.4	Partners Group	1.5	48,232
2,001,537	**61.8**		**61.6**	**1,931,266**
3,236,677	**100**		**100.0**	**3,136,680**

11.6 Wales Pension Partnership (WPP)

Included in Management Expenses (Table 8) is the cost of our involvement in the Wales Pension Partnership (WPP). The Oversight and Governance costs are the annual running costs of the pool which includes the Host Authority costs and other External Advisor costs. These costs are funded equally by all eight of the local authority Pension Funds in Wales. The Investment Management Expenses are fees payable to Link Fund Solutions (the operator) and include fund manager fees (which also includes the operator fee and other associated costs), transaction costs and custody fees. These costs are based on each Fund's percentage share of WPP pooled assets and are deducted from the Net Asset Value (NAV). The underlying manager fees of £161k (2021-22: £179k) for the Global Credit Fund are not included in this table.

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

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

12 Concentration of Investments

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

	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

	Value as at 31/03/2022 £'000	Proportion of Investment Portfolio %
Wales Pension Partnership Global Growth Fund	987,519	30.51
BlackRock Aquila Life UK Equity Index Fund	570,136	17.61
BlackRock ACS World Low Carbon Tracker Fund	324,448	10.02
BlackRock iShares Emerging Markets Index Fund	271,323	8.38
Wales Pension Partnership Global Credit Fund	247,621	7.65

13 Financial Instruments

13.1 Classification of financial instruments

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

2021-22					2022-23			
Designated at fair value through profit and loss	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				
2,748,153	0	0	2,748,153	Pooled investments	2,702,074	0	0	2,702,074
461,700	0	0	461,700	Pooled property investments	407,472	0	0	407,472
0	29,447	0	29,447	Cash	0	33,706	0	33,706
1,855	0	0	1,855	Other investment balances	73	0	0	73
0	4,845	0	4,845	Debtors	0	4,579	0	4,579
3,211,708	**34,292**	**0**	**3,246,000**		**3,109,619**	**38,285**	**0**	**3,147,904**
				Financial liabilities				
0	0	0	0	Other investment balances	0	0	0	0
0	0	(3,396)	(3,396)	Creditors	0	0	(5,369)	(5,369)
0	**0**	**(3,396)**	**(3,396)**		**0**	**0**	**(5,369)**	**(5,369)**
3,211,708	**34,292**	**(3,396)**	**3,242,604**	**Total**	**3,109,619**	**38,285**	**(5,369)**	**3,142,535**

13.2 Net gains and losses on financial instruments

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

13.3 Fair value of financial instruments and liabilities

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

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

13.4 Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 2

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

Level 3

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

13.5 Fair value – Basis of valuation

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

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.

Fair values at 31 March 2023	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'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**

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

13.6 Reconciliation of fair value measurements within level 3

2022-23

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

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

2021-22

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

13.7 Transfers between levels 1 and 2

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

14 Nature and extent of risks arising from financial instruments

14.1 Risk and risk management

The Fund has developed a formal risk assessment process and maintains a risk register which is updated annually. This ensures that risks are identified appropriately and are assessed and managed effectively. For more details, and to view the Risk Register, please refer to the Fund's website - www.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	12.50%
Bonds	7.10%
Alternatives	5.30%
Property	5.30%
Cash	0.90%

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

Asset Type	Value as at 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**

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

14.4.1 Sensitivity of assets valued at level 3

Asset Type	Value as at 31 March 2023	Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Alternatives	124,097	5.30%	130,674	117,520
Pooled Property	334,445	5.30%	352,170	316,719
Total Level 3 Assets	**458,542**		**482,844**	**434,239**

14.5 Interest rate risk

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

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2023 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

31/03/22 £'000	Asset type	31/03/23 £'000
24,969	Cash and cash equivalents	27,061
4,478	Cash held at CCC	6,645
279,137	Bonds	237,481
308,584	**Total**	**271,187**

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 31/03/23**	**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)**

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

14.7 Discount Rate

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

14.8 Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2022 and as at 31 March 2023:

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

14.9 Currency risk sensitivity analysis

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

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

A 6.8% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

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)**

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

14.10 Credit risk

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

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

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

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

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

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

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

14.11 Liquidity risk

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

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

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

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

15 Current assets

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

15.1 Analysis of Current Assets

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

16 Current liabilities

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

16.1 Analysis of Current liabilities

31/03/22 £'000		31/03/23 £'000
(763)	HMRC	(861)
(336)	Public corporations and trading funds	(369)
(2,297)	Other entities and individuals	(4,139)
(3,396)		**(5,369)**

17 Additional Voluntary Contributions (AVC)

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

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

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

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

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

18 Funding arrangements

In line with Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contributions rates for the forthcoming triennial period. The valuation that these financial statements are based on took place as at 31 March 2019.

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

19 Related Party Transactions

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

The Authority incurred costs of £1.164 million (2021-22: £1.145 million) in relation to the administration of the Fund and was subsequently reimbursed by the Fund.

The Authority is also the single largest employer of members in the Fund and contributed £40.420 million to the Fund in 2022-23 (2021-22: £37.524 million).

The Fund holds part of its cash balance with the Authority in order to meet its day to day expenditure. This cash is invested on the Money Markets by the Authority's Treasury Management section. During the year to 31 March 2023, the Fund had an average investment balance of £14 million (2021-22: £14.93 million) earning interest of £210,740 (2021-22: £11,261).

19.1 Governance

Pension Committee

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

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

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

Pension Board

A Pension Board was approved by County Council on the 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:

31/03/22 £'000		**31/03/23 £'000**
15	Short-term benefits	15
4	Post-employment benefits	4
19		**19**

20 Employing bodies contribution rates, contributions receivable and benefits payable

2021-22					2022-23			
Contr-bution rate %	Deficit/ (Surplus) Contri-bution £'000	Contri-butions £'000	Benefits payable £'000		Contr-bution rate %	Deficit/ (Surplus) Contri-bution £'000	Contri-butions £'000	Benefits payable £'000
				Scheduled bodies				
19.9	(2,695)	40,217	40,757	Carmarthenshire County Council	19.9	(2,800)	43,220	43,842
19.8	(2,066)	23,604	19,311	Pembrokeshire County Council	19.8	(2,146)	25,536	21,540
20.1	(2,232)	14,605	12,802	Ceredigion County Council	20.1	(2,320)	15,712	13,797
17.8	(7)	6,681	3,405	Office for the Police & Crime Commissioner for Dyfed-Powys	17.8	(7)	7,131	3,775
18.1	(195)	1,752	2,005	Mid & West Wales Fire Authority	18.1	(203)	1,917	1,666
19.7	0	311	400	Coleg Ceredigion	19.7	0	293	331
20.0	0	2,020	1,214	Coleg Sir Gar	20.0	0	2,051	1,252
19.9	(287)	876	826	Pembrokeshire Coast National Park Authority	19.9	(298)	922	948
18.6	28	1,529	460	Pembrokeshire College	18.6	29	1,714	557
	(7,454)	91,595	81,180			(7,745)	98,496	87,708
				Designated (Resolution) bodies				
25.6	(4)	15	17	Aberystwyth Town Council	25.6	(4)	22	14
22.4	(25)	97	96	Carmarthen Town Council	22.4	(26)	109	109
20.9	1	45	0	Cwmamman Town Council	20.9	1	61	0
24.1	0	21	0	Llanedi Community Council	24.1	0	24	0
28.8	0	7	4	Gorslas Community Council	28.8	0	8	4
-	0	12	37	Haverfordwest Town Council	-	0	13	39
27.6	8	19	12	Kidwelly Town Council	27.6	8	20	11
25.9	0	3	1	Llanbadarn Fawr Community Council	25.9	0	2	33
19.4	0	1	1	Llanarthne Community Council	19.4	0	2	1
19.9	(53)	269	250	Llanelli Rural Council	19.9	(55)	294	202
20.3	15	75	100	Llanelli Town Council	20.3	16	75	298
22.9	3	15	0	Llangennech Community Council	22.9	3	17	0
25.8	6	41	30	Llannon Community Council	25.8	6	57	26
17.3	(12)	59	19	Pembrey & Burry Port Town Council	17.3	(12)	70	39
22.5	(6)	14	11	Tenby Town Council	22.5	(6)	18	12
19.6	2	17	0	Pembroke Town Council	19.6	2	18	0
22.7	2	16	0	Pembroke Dock Town Council	22.7	2	19	0
0	0	0	0	Cwarter Bach Community Council	21.9	0	4	0
	(63)	726	578			(65)	833	788

2021-22					2022-23			
Contri-bution rate %	Deficit Contri-bution £'000	Contri-butions £'000	Benefits payable £'000		Contri-bution rate %	Deficit Contri-bution £'000	Contri-butions £'000	Benefits payable £'000
				Admission bodies				
				Community Admission Body (CAB)				
21.1	8	46	31	Ceredigion Association of Voluntary Org.	21.1	6	44	27
19.9	0	1,209	1,292	Careers Wales	19.9	0	1,307	1,574
22.9	3	42	36	Carmarthenshire Association of Voluntary Services	22.9	3	35	37
0.0	0	2	14	Carmarthenshire Federation of Young Farmers Clubs	0.0	0	1	14
20.2	0	15	42	Iaith Cyf	20.2	0	28	43
26.9	2	3	16	Leonard Cheshire Disability	26.9	2	4	16
0.0	0	0	39	Llanelli Burial Board	0.0	0	0	40
16.7	13	88	38	Menter Bro Dinefwr	16.7	14	96	17
17.6	14	47	62	Menter Cwm Gwendraeth	17.6	14	25	39
13.3	2	79	0	Menter Gorllewin Sir Gar	13.3	2	73	0
9.5	0	15	10	Menter Iaith Castell-Nedd Port Talbot	9.5	0	14	11
22.8	0	5	10	Narberth & District Community & Sports Association	22.8	0	5	11
22.7	0	62	62	Pembrokeshire Association of Voluntary Services	22.7	0	65	64
19.2	0	101	34	PLANED	19.2	0	99	83
21.4	0	316	280	Tai Ceredigion/Barcud	21.4	0	299	458
22.0	0	622	559	University of Wales-Trinity St David	22.0	0	573	696
25.1	92	8	210	Aberystwyth University	25.1	96	9	214
19.7	0	414	453	Books Council of Wales	19.7	0	417	371
21.2	0	24	44	West Wales Action for Mental Health	21.2	0	25	48
15.3	0	17	58	Valuation Tribunal Wales	15.3	0	19	47
	134	3,115	3,290			137	3,138	3,810
				Transferee Admission Body (TAB)				
22.8	0	18	46	Pobl Group	22.8	0	17	43
0.0	0	0	14	DANFO	0.0	0	0	15
17.3	10	822	198	Llesiant Delta Wellbeing	17.3	10	989	79
0.0	0	0	78	Human Support Group (HSG)	0.0	0	0	83
0.0	0	0	1	Compass Contract Services Ltd	0.0	0	0	1
22.2	0	12	0	Burry Port Marina Ltd	22.2	0	10	0
46.2	0	9	0	Adapt Business Services	46.2	0	12	0
23.4	0	16	0	Visit Pembrokeshire	23.4	0	10	0
	10	877	337			10	1,038	221

				Bodies with no pensionable employees				
0.0	0	6	7	DVLA	0.0	0	6	7
0.0	0	0	13	Cardigan Swimming Pool	0.0	0	0	14
0.0	0	0	74	PRISM	0.0	0	0	56
0.0	0	53	325	Dyfed Powys Magistrates Courts	0.0	0	53	410
0.0	0	1	7	Carmarthen Family Centre	0.0	0	2	8
0.0	0	2	4	Milford Haven Town Council	0.0	0	2	4
0.0	0	0	2	Mencap	0.0	0	0	16
0.0	0	0	6,530	Dyfed County Council	0.0	0	0	6,339
0.0	0	0	2	Dyfed AVS	0.0	0	0	2
0.0	0	7	8	NHS	0.0	0	7	7
0.0	0	4	16	Welsh Water	0.0	0	4	17
0.0	0	0	8	Cwm Environmental	0.0	0	0	8
0.0	0	0	19	Cartrefi Cymru	0.0	0	0	7
0.0	0	2	2	Rent Officer Service	0.0	0	1	1
	0	75	7,017			0	75	6,896
	(7,373)	**96,388**	**92,402**	**Total**		**(7,663)**	**103,580**	**99,423**

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

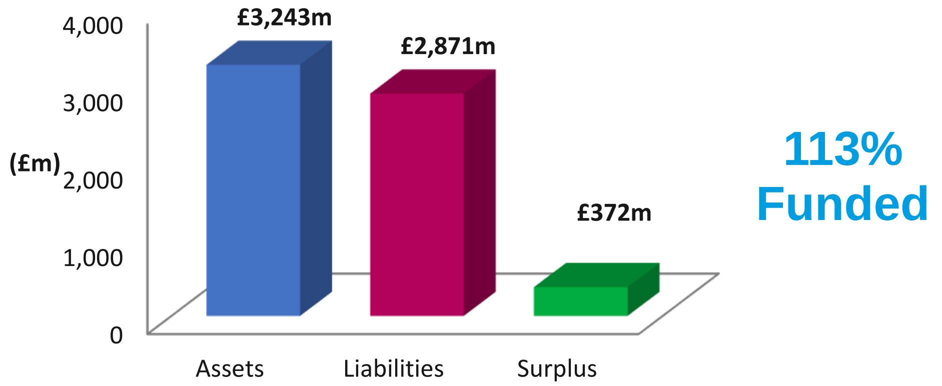
The Fund’s investment strategy permits stock lending subject to specific approval. During 2022-23, the income earned by the Fund through stock lending was £93,731 (2021-22: £88,153). At 31 March 2023 the Fund had £52.8m out on loan (2021-22: £45.9m).

22 Actuarial Statement

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

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

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



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

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it 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 2023/26) was a surplus offset of 3.7% of pensionable pay - approximately £14m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

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

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

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

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
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 2023 (the 31 March 2022 assumptions are included for comparison):

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

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

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

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

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

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

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

Key factors leading to actuarial gains above are:

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

Additional Considerations

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

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

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

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

Clive Lewis
Fellow of the Institute and
Faculty of Actuaries

Laura Evans
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
July 2023

23 Events after the balance sheet date

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

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 2023 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 2022-23.

In my opinion the financial statements:

- give a true and fair view of the financial position of Dyfed Pension Fund as at 31 March 2023 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 2022-23.

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 58-59, 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	1 Capital Quarter
Auditor General for Wales	Tyndall Street Cardiff
Date: 31 October 2023	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 - Funding Strategy Statement

The full Funding Strategy Statement including the appendices can be found on the website.

Background

Ensuring that the Dyfed Pension Fund (the “Fund”) has sufficient assets to meet its pension liabilities in the long-term is the fiduciary responsibility of the Administering Authority (Carmarthenshire County Council). The Funding Strategy adopted by the Dyfed Pension Fund will therefore be critical in achieving this. The Administering Authority has taken advice from the actuary in preparing this Statement.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Dyfed Pension Fund

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Dyfed Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

Integrated Risk Management Strategy

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives. Individual employer results will also have regard to their covenant strength, where deemed appropriate by the Administering Authority.

The Regulations

The Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

The Solvency Objective

The Administering Authority's long-term objective is for the Fund to achieve and then maintain 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next in order to meet the Fund's objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen with sufficient prudence for this objective to be reasonably achieved in the long term at each valuation.

Long Term Cost Efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise. Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

Employer Contributions

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution.

Key Funding Principles

Purpose of the FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

The aims of the fund are to:	**The purpose of the fund is to:**
• manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due • enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes • maximise the returns from investments within reasonable risk parameters taking into account the above aims.	• receive monies in respect of contributions, transfer values and investment income, and • pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the Regulations.

Responsibilities of the key parties

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pensions Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key parties to the FSS

The Administering Authority should:	The Individual Employer should:
• operate the pension fund • collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations • pay from the pension fund the relevant entitlements as stipulated in the Regulations • invest surplus monies in accordance the Regulations • ensure that cash is available to meet liabilities as and when they fall due • take measures as set out in the Regulations to safeguard the fund against the consequences of employer default • manage the valuation process in consultation with the Fund's actuary • prepare and maintain a FSS and an Investment Strategy Statement ("ISS), both after proper consultation with interested parties, and • monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary • effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and • establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.	• deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer • pay all contributions, including their own, as determined by the actuary, promptly by the due date • undertake administration duties in accordance with the Pension Administration Strategy. • develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework • make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and • have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and • notify the Administering Authority promptly of any changes to membership which may affect future funding. • understand the pension impacts of any changes to their organisational structure and service delivery model. • understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in the employer paying higher contributions than otherwise would be the case if the data was of high quality.

The Fund Actuary should:	A Guarantor should:
• prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to its FSS and the Regulations • prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as such as pension strain costs, ill health retirement costs etc. • provide advice and valuations on the termination of admission agreements • provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default • assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations • advise the Administering Authority on the funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and • ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.	• notify the Administering Authority promptly of any changes to its guarantee status, as this may impact on the treatment of the employer in the valuation process or upon termination. • provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations. • be aware of all guarantees that are currently in place • work with the Fund and the employer in the context of the guarantee • receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.

Solvency Funding Target

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate.

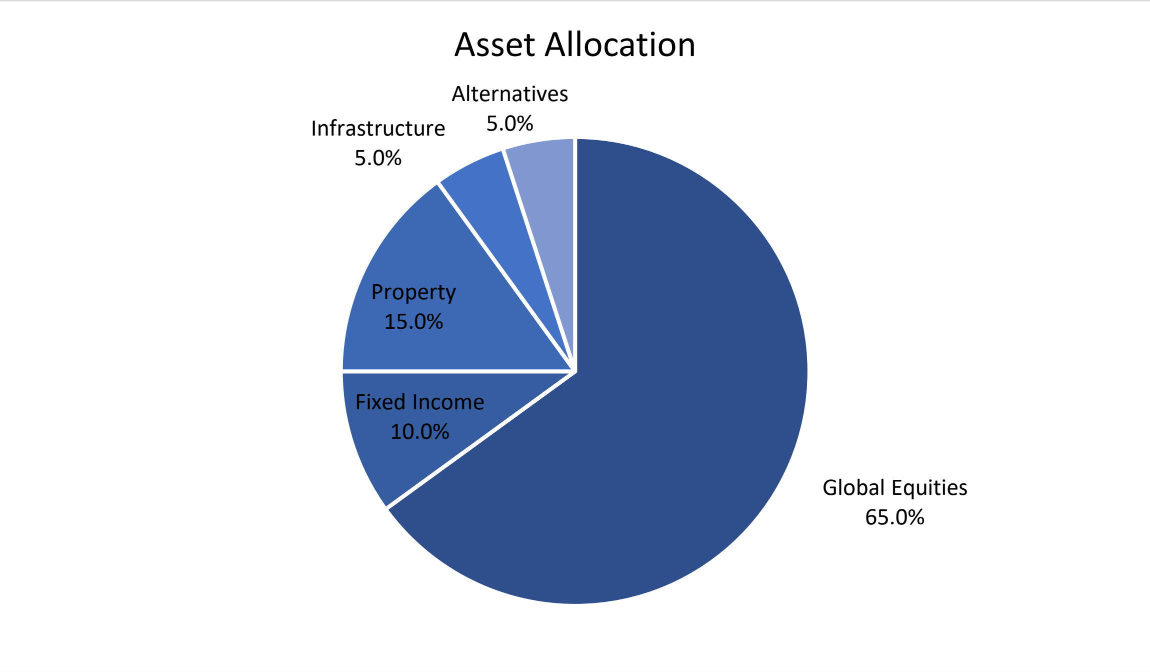
Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

Link to Investment Policy and the Investment Strategy Statement (ISS)

The results of the 2022 valuation show the liabilities to be 113% covered by the assets, with the funding surplus of £372m used in part to offset Primary Contributions, with the remainder being retained as a buffer against future adverse experience.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

The overall strategic asset allocation is set out in the ISS. The current long term strategy set out in the ISS is included below.



The investment strategy set out above and individual return expectations on those asset classes equate to an overall best estimate average expected return of 3.0% per annum in excess of CPI inflation as at 31 March 2022 i.e. a 50/50 chance of achieving this real return. For the purposes of setting a funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

Risk Management Strategy

In the context of managing various aspects of the Fund's financial risks, the Administering Authority will consider implementing investment risk management techniques where appropriate). Further details will be set out in the ISS.

Climate Change

An important part of the risk analysis underpinning the funding strategy will be for the Actuary to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation, an analysis of different climate change scenarios at the Whole Fund level relative to the baseline position (i.e. assuming that the funding assumptions are played out) has been undertaken. The projections are meant to illustrate the different elements of risk under two climate change scenarios based on the strategic asset allocation. The scenarios are not meant to be predictors of what may happen and are only a small subset of a very wide range of scenarios that could arise depending on the global actions taken in relation to climate change. The actions taken (both historically and in future) by the Fund in relation to making its asset portfolio more sustainable will ultimately be set out in the separate Taskforce for Climate Change (TCFD) reports and analysis of the asset portfolio adopting similar (but not necessarily the same) scenarios although this can be over a different time period.

The analysis considers a projection of the funding levels under the scenarios considered which are designed to illustrate the transition and physical risks over different periods depending on what actions are taken globally on climate change.

The key metrics are the relative impact on the funding level over the different time periods as this illustrates the impact of climate related market shocks on the funding plan and the analysis provides the Fund with additional information regarding the resilience of the funding strategy and adequacy of prudence margins. Whilst the scenarios being considered are only two out of a considerable range of potential outcomes, it shows that climate change can have far reaching effects on the Fund.

The Actuary applies a nuanced approach to understand what is/is not priced into the markets in terms of transition and physical risks. They include assumptions about what is currently priced into markets, and later price in shocks when the markets account for future impacts (both physical and transition impacts). The two climate shock scenarios considered are:

1. Rapid Transition - there is a sudden divestment across multiple securities in 2025 to align portfolios to the Paris Agreement goals, this will have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Average temperature increase stabilises at 1.5°C around 2050. In relative terms to the best estimate basis at the valuation date, this could have a detrimental impact on the funding level of -6% after 5 years as the larger transition risks manifest and -3% after 20 years where the physical risks become more dominant.
2. Failed Transition - The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events. In relative terms this could lead to a marginal increase in the funding level of 2% after 5 years which reflects the lower impact from transition risks (versus the market pricing) and a hugely detrimental impact of -25% after 20 years which shows the material consequences of the physical risks from the significant temperature increases as time progresses.

The actuarial assumptions (versus the best estimate) include a level of prudence which implicitly allows for the climate risk and other risks to support future contribution stability and the Actuary has concluded that the level of prudence is currently sufficient in the context of the scenarios considered. However, any climate related impacts will potentially put significant stress on the funding plan, especially when taken into account with other risk factors so the analysis will be further developed and be monitored over time.

Other risks (e.g. longevity) will also be considered in future analysis but are expected to have a much lower impact than the financial market impacts. The expected impact on asset returns under different scenarios and timeframes will be shown in more detail in the separate valuation and TCFD reports.

Identification of Risks and Counter-Measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

<table>
<tr><th>Financial</th><th>Demographic</th></tr>
<tr><td>The financial risks are as follows:-

Investment markets fail to perform in line with expectations
Market outlook moves at variance with assumptions
Investment Fund Managers fail to achieve performance targets over the longer term
Asset re-allocations in volatile markets may lock in past losses
Pay and price inflation significantly more than anticipated
Future underperformance arising as a result of participating in the All Wales pooling vehicle
An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.

Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.</td>
<td>The demographic risks are as follows:-

Future changes in life expectancy (longevity) that cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds.
Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers. For some employers the Fund has implemented an internal "captive" approach to spreading the cost of ill-health retirements across a wider employer base. Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, employing bodies should be doing everything in their power to minimise the number of ill-health retirements.
Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations. The Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy

Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.</td></tr>
</table>

Governance	Regulatory
The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their trade unions) to make their views known to the Fund and to participate in the decision-making process. Governance risks are as follows:- • The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated • Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level • Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates • An employer ceasing to exist with insufficient funding or adequacy of a bond. • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements. • Changes to Senior Fund Officers or in the Pension Committee membership. For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored but in most cases the employer, rather than the Fund as a whole, bears the risk.	The key regulatory risks are as follows:- • Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to the Fund, Typically these would be via the Cost Management Process although in light of the McCloud discrimination case, there can be exceptional circumstances which give rise to unexpected changes in Regulations. • Changes to national pension requirements and/or HMRC Rules Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

Monitoring and Review

A full review of this Statement will occur no less frequently than every 3 years, to coincide with completion of a full statutory actuarial valuation and every review of employer rates or interim valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund
- if there have been material changes in the ISS

Section 8 - Investment Strategy Statement

This is the Investment Strategy Statement (the “Statement”) of Dyfed Pension Fund (the “Fund”) as required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”).

The regulations require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

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. This document replaces the Fund’s Statement of Investment Principles.

In preparing this Statement, the Fund has consulted with such persons as it considers appropriate and the document will be updated based on any factors that the Fund considers material to its liabilities, finances or attitude to risk.

This statement will be reviewed at least triennially or more frequently if appropriate.

Investment Objectives and Beliefs

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

The Funding Strategy and Investment Strategy are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time.

The investment objective is therefore to maximise returns subject to an acceptable level of risk (including climate and other ESG risks) whilst increasing certainty of cost for employers, and minimising the long term cost of the scheme. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund’s investment beliefs which help to inform the investment strategy are as follows:

- Funding, investment strategy and contribution rates are linked
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund’s investments
- Effective governance structures, which promote decisiveness, efficiency and accountability, can add value to the Fund
- Investing over the long term provides opportunities to improve returns and allows the Fund to take some risks (eg. volatility, illiquidity) which might not otherwise be acceptable
- Diversification across and within asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources
- Managing risk is a multi-dimensional and complex task but the overriding principle is to take the appropriate level of risk, to achieve the Fund’s objectives

- Environmental, Social and Governance are important factors for the sustainability of investment returns and risks over the long term. Climate change (UN SDG 13), in particular, has the potential materially to impact the returns and risk profile of various assets. The committee believes that adjusting its investment allocations and engagement with investee companies can both help to achieve its responsible investment goals
- Stewardship is an important responsibility and one which can be delegated. Engaging with investee companies is an important part of this, and is likely to be more effective than divestment in improving desired outcomes
- Value for money from investments is important, not just absolute costs. Asset pooling will help reduce costs whilst providing more choice of investments and will therefore be additive to Fund returns
- Active management can add value to returns over the long term

Investment Strategy

Asset Classes

Translating the Fund's investment and funding objectives into a single suitable investment strategy is challenging. The key objectives often conflict. For example, minimising the long term cost of the scheme is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Additionally, the employers in the Fund have different underlying characteristics and long term funding objectives.

It is the Pension Committee's (the "Committee") policy to regularly monitor, in consultation with the actuary, the likely position regarding the solvency ratio in order that the risk of deterioration of the solvency ratio below 100% is minimised. The Committee may consider amending the Investment Strategy should they be advised at some future stage that this would be the only acceptable route to avoid under funding.

The Committee, following an asset liability study, has set a benchmark mix of asset types and ranges within which the investment managers may operate with discretion. This is shown in Appendix A. The Committee believes that this mix of assets will fulfil the assumptions within the valuation undertaken as at 31 March 2019, as well as taking account of the liability profile of the Fund. This mix will also help to control the risks outlined below.

A review of the strategic asset allocation is undertaken every three years following the actuarial valuation and provides the assurance that the investment strategy is aligned to the long term funding plan. This review utilises both qualitative and quantitative analysis, and covers;

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined
- The desire for diversification across asset class, region, sector, and type of security

Managers

The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Risk Measurement and Management

The Fund assesses risks both qualitatively and quantitatively, with the starting point being the investment strategy review which is undertaken every three years. The Fund's approach to risk is informed by the Committee, its professional advisors and officers of the Fund.

The key risks that the Fund is exposed to can be grouped under the following headings: asset; funding; operational and governance. These risks are identified, measured, monitored and managed on an active basis with the responsibility for oversight from the Treasury & Pension Investments Manager.

These risks are summarised as follows:

Asset Risks

- Concentration – The risk that significant allocation to any single asset class and its underperformance relative to expectation would result in difficulties in achieving funding objectives. Concentration may be mitigated by holding different strategies within an asset class.
- Illiquidity – The risk that the Fund cannot meet its liabilities because it has insufficient liquid assets.
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

To manage asset risks the Committee provides a practical constraint on fund investments deviating greatly from the intended approach by setting itself diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Committee's expected parameters. By investing across a range of assets, including quoted equities and bonds, the Committee has recognised the need for some access to liquidity in the short term. In appointing several investment managers, the Committee has considered the risk of underperformance by any single investment manager.

Funding Risks

- Financial mismatch - The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities and the risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.

- Changing demographics – The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk – The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial "contagion", resulting in an increase in the cost of meeting Fund liabilities.
- Legislation/regulatory - changes in legislation or regulations governing the treatment of pension fund liabilities can have a material impact on funding ratio.

The Committee measures and manages financial mismatch in two ways. It has set a strategic asset allocation benchmark for the Fund and assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The asset allocation is rebalanced on a regular basis to ensure that it does not stray outside the ranges for any sustained period.

The Committee keeps under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise.

Operational Risks

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. The Committee takes professional advice in relation to the monitoring and oversight of any transitions.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.
- Physical climate change risk – the risk that the operations of the Fund or its sponsor entities may be impacted by flood, fire or temperature events.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

Governance Risk

Good governance is an essential part of the Fund's investment strategy and the Fund therefore identifies poor governance as a potential risk that can have a detrimental effect on the funding level and the deficit/surplus. The Fund ensures that its decision making process is robust and transparent and this is documented in the Governance Compliance Statement which is published on the Fund's website.

Environmental, Social and Governance Risks

The Fund's investment strategy includes its own approach on Responsible Investment. Non-compliance would expose the Fund to financial and reputational risk. The Fund believes that effective management of financially material Responsible Investment risks should support the

Fund’s requirement to protect returns over the long term. The Fund will seek to further integrate Responsible Investment factors into the investment process across all relevant asset classes.

Approach to Asset Pooling

The Fund joined the Wales Pension Partnership (WPP) in 2016 with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability and access to a more diverse range of asset classes. The implementation of the Fund’s investment strategy by an FCA regulated provider leads to improved governance, transparency and reporting giving the Fund assurance that its investment strategy is being implemented effectively.

The key criteria for assessment of the WPP solutions is as follows:

- That the WPP enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- That there is a clear financial benefit to the Fund in investing in the solution offered by the WPP, should a change of provider be necessary.

To date WPP has launched the following sub-funds which the Fund is invested in:

- Global Equities – Global Growth Fund.
- Fixed Income – Global Credit Fund.

At the time of preparing this statement the Fund had also jointly procured a single passive equity manager for the Wales funds as set out below. These funds currently sit outside of the WPP however the monitoring arrangements will still be carried out collectively on behalf of the WPP.

Asset class	**Manager**	**% of Fund assets**	**Benchmark and performance objective**
Passive Equity including Low Carbon Fund	BlackRock	35-40	FTSE All-Share and FTSE All-World Indices Benchmark Return MSCI World Low Carbon Target Reduced Fossil Fuel Select Index

The Fund intends to invest the majority of its remaining assets into the WPP once opportunities arise but will maintain some cash balances at the Fund. Investment strategy will be retained by the Fund with advice from all relevant professional advisors.

Structure and governance arrangements of the WPP

The WPP has appointed a third party operator authorised by the FCA (Link Fund Solutions) to provide a series of investment sub-funds in which the assets of the participating funds will be invested.

A Joint Governance Committee (JGC) has been formally established to oversee the operator. The JGC comprises of the eight Chairs of the committees of the participating funds. This arrangement provides accountability for the operator back to individual administering authorities.

It operates on the basis of ‘One Fund, One Vote’, though the intention is that any decisions are reached by consensus wherever possible.

The JGC is in regular discussions with the operator as to the specific sub-funds which should be set up within the WPP, both at the outset and on an ongoing basis.

Officers from each constituent authority attend JGC meetings (in a non-voting capacity). The officers advise the JGC on the establishment and monitoring of the various sub-funds as well as liaison directly with the operator on any day-to-day investment matters. The members of the JGC report back to their respective individual funds' pension committees who are responsible for satisfying themselves as to the effectiveness of the pooling arrangements overall and the operation of the JGC.

The Pension Board seeks reassurance on aspects of the management of the Fund's investments and external scrutiny. Formal due diligence of the operator and depositary is carried out by the FCA in their role as regulator.

The operator is responsible for selecting and contracting with investment managers for each of the sub-funds as well as appointing other service providers such as depositary asset servicer as necessary. Listed bonds and equities are invested through the UK based Authorised Contractual Scheme (ACS) in order to benefit from the tax transparent nature of the vehicle. It may be that alternative vehicles are more appropriate for some other asset classes. As well as considering the options with the operator, we also take external advice on the final proposed approach from a tax efficiency and legal compliance basis.

Under the structure the depository holds legal title to the assets of the WPP. The operator is responsible for managing and operating the investments of the WPP, including entering into the legal contracts with the investment managers.

The operator provides and operates a range of investment vehicles to allow collective investment by the participating funds. The operator is responsible for selecting and contracting with investment managers for the management of the underlying assets. They are also responsible for the administration of the vehicles in terms of unit pricing, valuation, handling cash flows in and out of the various sub-funds, trade processing and reporting on performance. They are also responsible for due diligence from an audit, legal and tax perspective for the respective sub-funds and for electing a depositary to the WPP.

WPP have appointed Hymans Robertson as oversight adviser, Burges Salmon as legal adviser and Robeco UK as voting and engagement provider.

Responsible Investment and the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments

The Fund is a long term investor aiming to deliver a sustainable pension fund for all stakeholders.

Carmarthenshire County Council as the administering authority of the Fund has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members.

Responsible Investment (RI) is a fundamental part of the Fund's overarching investment strategy as set out in this 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 Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.
The Fund's core principles of responsible investment are:

1. We will apply long-term thinking to deliver long-term sustainable returns. from well-governed assets.
2. We will use an evidence-based long term investment appraisal to inform decision-making in the implementation of RI principles.
3. We will consider the costs of RI decisions consistent with our fiduciary duties.

To date, the Fund's approach to social investments has largely been to delegate this to their underlying investment managers, and WPP in particular as part of their overall ESG duties. The Fund's managers report on this matter as part of the Fund's annual ESG review.

The Committee recognises that the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Climate Change

The Fund recognises the importance in addressing the financial risks associated with climate change through its investment strategy, and believes that:

- Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers, and all of the holdings in the Fund's investment portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund but is also consistent with the long term nature of the Fund. The Fund's investments need to be sustainable to be in the best interests of all key stakeholders. To this end, the Fund is committed to transition its investments towards net zero GHG emissions over the medium term. The Pension Fund will regularly report on progress, including establishing intermediate targets.
- Engagement is the best approach to enabling the change required to address the Climate Emergency. However selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy.
- As well as creating risk, it also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy and energy efficiency products and services.

The Fund also takes account of WPP's Responsible Investment and Climate Risk polices.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f).

Stewardship

The Committee has agreed in principle that the Fund becomes a signatory to the Stewardship Code as published by the Financial Reporting Council. They also expect both the WPP and any directly appointed fund managers to also comply with the Stewardship Code.

The Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

Myners Principles

Although not specifically referenced in the Regulations, the Fund continues to assess its own compliance with the Myners Principles of Good Investment Governance. A statement that sets out an assessment of compliance is presented at Appendix B.

Advice taken

In creating this statement, the Fund has taken advice from its Officers, its Independent Investment Advisor and its Actuary.

	Benchmark (%)	Range (%)
Equities	65.0	55.0 – 75.0
Fixed Income	10.0	5.0 – 15.0
Property	15.0	10.0 – 20.0
Infrastructure	5.0	3.5 – 6.5
Alternatives	5.0	3.5 – 6.5
Total	**100.0**	

Myners 6 Principles and Compliance Checklist

1 Effective Decision-Making	
Define who takes investment decisions.	Included in ISS
Consider whether members have sufficient skills.	Training - LGC members seminar, LAPFF and PLSA conferences, investment manager and WPP training days, Employer Organisation training days. Training plan in place.
Determine whether appropriate training is being provided.	Training - LGC members seminar, LAPFF and PLSA conferences, investment manager and WPP training days, Employer Organisation training days. Training plan in place.
Assess whether in-house staffing support is sufficient.	Suitably qualified and trained staff. Training plan in place.
Establish an investment committee with suitable terms of reference.	Pension Committee established with terms of reference agreed
Draw up a business plan.	A business plan is published annually. An Actuarial Valuation Report, Investment Strategy Review, Funding Strategy Statement and Investment Strategy Statement are updated and produced every three years.
Priority is given to strategic asset allocation decisions	Asset / liability study undertaken to determine asset allocation after full discussions.
All asset classes permitted within the regulations have been considered.	All major asset classes have been considered and managers appointed accordingly. Other alternative asset classes continue to be considered.
Asset allocation is compatible with liabilities and diversification requirement.	Asset / liability study undertaken to determine asset allocation after full discussions.
Separate contracts in place for actuarial services and investment advice.	Separate contracts currently in place.
Terms of reference specified.	Clear specifications issued.
Specify role of S151 officer in relation to advisers.	Section 151 officer role clear in constitution.
Tender procedures followed without cost constraint factor.	Tendering for third party service providers will follow local procurement rules.
Overall Principle 1	**Fully compliant**

2 Clear Objectives	
Set overall investment objective specific only to the Fund's liabilities.	Customised benchmark following asset - liability study.
Determine parameters for employer contributions.	Clear objectives outlined in ISS
Specify attitude to risk and limits.	Clearly outlined in ISS
Identify performance expectations and timing of evaluation.	Clearly outlined in ISS
Peer group benchmark in use for comparison purposes only.	In Place.
Written mandate included in management contract containing elements specified.	Contract has been updated, ISS is clear on these issues
Constraints on the types of investment are in line with regulations.	In Place.
Reasons stated if soft commissions permitted.	None used.
Overall Principle 2	**Fully compliant**

3 Risk & Liabilities	
In setting and reviewing the investment strategy account should be taken of the form and structure of liabilities.	Full asset liability study is undertaken following the triennial valuation and prior to setting and reviewing the investment strategy.
The implications for the local tax-payers, the strength of the covenant for participating employers, the risk of their default and longevity risk should also be taken into account.	Included in asset liability study and investment strategy.
Overall Principle 3	**Fully compliant**

4 Performance Assessment	
Consider whether index benchmarks selected are appropriate.	Consideration given, and performance measured against both benchmark and market indices
Limits on divergence from index are relevant.	Fully considered and in ISS.
Active or passive management considered	Fully considered and in ISS.
Targets and risk controls reflect performance expectations	Fully considered and in ISS.
Formal structure for regular monitoring in operation	Fund returns regularly reported by independent organisation
Arrangements in place to assess procedures and decisions of members.	Audit and valuation reports. Best Value regime.

Similar arrangements established for advisers and managers.	Regular monitoring/review undertaken by Committee and officers of managers and advisers.
Overall Principle 4	**Fully compliant**
5 Responsible Ownership	
Incorporate US Principles on activism into mandates.	Custodian reports on corporate actions taken.
Engage external voting agencies if appropriate	Strong Corporate Governance policy in place through investment manager.
Review manager strategies	Own policy is in operation.
Establish means to measure effectiveness.	Regular reporting in place.
Overall Principle 5	**Fully compliant**
6 Transparency and Reporting	
ISS updated as specified.	In place and included in the Annual Report.
Consultation undertaken on amendments.	In place and consultation each year.
Changes notified to stakeholders.	In place and included in the Annual Report.
Publish changes to ISS and its availability.	In place and included in the Annual Report.
Identify monitoring information to report.	In place, included in ISS and reports presented at prescribed intervals.
Inform scheme members of key monitoring data & compliance with principles.	In place and included in ISS.
Overall Principle 6	**Fully compliant**

Section 9 – Responsible Investment Policy

Introduction

Carmarthenshire County Council is the Administering Authority for the Dyfed Pension Fund (the Fund). The Fund administers the Local Government Pension Scheme (LGPS) on behalf of around 51,500 members and 69 employers.

The Pension Committee is the decision-making body for the Fund, advised by Fund officers in their role as scheme administrators and the Independent Investment Adviser.

The day-to-day management of the Fund's investments are delegated to Investment Managers. Regular meetings are held with these Managers, where performance and governance issues including responsible investment topics are discussed.

Responsible Investment

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 Fund's approach aims to ensure that consideration of ESG factors is embedded in the investment process, utilising the various tools available to manage ESG risks and to harness opportunities presented by ESG factors.

The Fund's core principles of responsible investment are:

1. To apply long-term thinking to deliver long-term sustainable returns. from well-governed assets.
2. To use an evidence-based long term investment appraisal to inform decision-making in the implementation of Responsible Investment principles.
3. To consider the costs of Responsible Investment decisions consistent with our fiduciary duties.

To date, the Fund's approach to Responsible Investment has largely been to delegate this to its underlying investment managers and WPP, in particular, as part of their overall ESG duties.

Investment Beliefs

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.
The investment objective is therefore to maximise returns subject to an acceptable level of risk (including climate and other ESG risks) whilst increasing certainty of cost for employers and

minimising the long term cost of the scheme. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this Policy.

The Fund's investment beliefs which help to inform the investment strategy are as follows:

- Funding, investment strategy and contribution rates are linked
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments
- Effective governance structures, which promote decisiveness, efficiency and accountability, can add value to the Fund.
- Investing over the long term provides opportunities to improve returns and allows the Fund to take some risks (e.g. volatility, illiquidity) which might not otherwise be acceptable.
- Diversification across and within asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to take the appropriate level of risk, to achieve the Fund's objectives
- ESG factors are important drivers of investment returns and risks over the long term. Climate change (UN SDG 13), in particular, has the potential materially to impact the returns and risk profile of various assets. The committee believes that both adjusting its investment allocations and engagement with investee companies can help to achieve its responsible investment goals.
- Stewardship is an important responsibility and one which can be delegated. Engaging with investee companies is an important part of this and is likely to be more effective than divestment in improving desired outcomes.
- Value for money from investments is important, not just absolute costs. Asset pooling can help reduce costs whilst providing more choice of investments and will therefore be additive to Fund returns
- Active management can add value to returns over the long term.

Environmental, Social and Governance Risks

The Fund's investment strategy includes its own approach on Responsible Investment. Non-compliance would expose the Fund to financial and reputational risk. The Fund believes that effective management of financially material Responsible Investment risks should support the Fund's requirement to protect returns over the long term. The Fund will seek to further integrate Responsible Investment factors into the investment process across all relevant asset classes.

Role of the Pension Board

The Local Pension Board ('the Board') is established in accordance with the Public Service Pensions Act 2013.

The role and purpose of the Board is to:

- Secure compliance with the regulations, and other legislation relating to the governance and administration of the Scheme as prescribed by the Pensions Regulator and Department for Levelling Up, Housing and Communities (DLUHC)
- Ensure effective and efficient governance and administration of the Scheme.

The Board provides oversight of compliance and governance matters, including Responsible Investment, and can make recommendations to the Pension Committee accordingly. The members of the Board do not have the right to vote on Fund decisions but can input positively and support improvements in overall service delivery.

Stock Lending

The Committee believes that stock lending can be an effective way to generate additional revenue in accordance with its investment strategy. However, the Committee also recognises that stock lending should not be used to the detriment of being a responsible investor. It is recognised that stock lending may inhibit the full application of a voting policy as votes may not be cast on stock on loan and so there is a balance to be achieved as a result.

The Committee has agreed to stock lending activity being undertaken on the WPP's actively managed pooled fund investments. However, within the WPP's stock lending policy is an explicit requirement not to lend 100% of holdings in any single stock so that the WPP, in collaboration with its Constituent Authorities and advisors, can express views and take a policy stance on any topic it deems worthy through its right to vote.

The Committee, via the WPP, will continue to monitor the impact of this policy stance and revise its stance if required. The Fund, via the WPP, also retains the right to recall stock, if required, as part of its stock lending arrangements.

Engagement

The Committee believes that engagement with investee companies can help to achieve its responsible investment goals. Additionally, the Committee encourages the Fund's asset managers to engage with the companies they invest in, where they believe that value can be added, or risk can be reduced.

The Wales Pension Partnership is a signatory to the UK Stewardship Code 2020 and is an affiliate member of Pensions for Purpose. It has appointed Robeco as its voting and engagement manager, to ensure a proactive approach to engagement with WPP's investee companies, as well as effective use of its voting power as a shareholder.

In addition, the Fund believes in collective engagement and is a member of the LAPFF, through which it exercises a voice across a range of ESG topics.

The Fund also engages with groups such as Divest Dyfed and Friends of the Earth Wales on a regular basis where there is an exchange of views and informed discussions take place.

In addition, the Fund engages with its members via the annual newsletter, Annual Consultative Meeting and a dedicated website.

Climate Change

The Fund recognises the importance in addressing the financial risks associated with climate change through its Investment Strategy Statement, and believes that:

- Climate change presents a systemic risk to the overall stability of every economy and country, with the potential to impact on the members, employers, and all of the holdings in the Fund's investment portfolio.
- Considering the impacts of climate change is not only the legal or fiduciary duty of the Fund but is also consistent with the long-term nature of the Fund. The Fund's investments

need to be sustainable to be in the best interests of all key stakeholders. To this end, the Fund is committed to transition its investments towards net zero GHG emissions over the medium term. The Fund will regularly report on progress, including establishing intermediate targets, one of which is reducing the carbon intensity of the Fund's equities by at least the Paris aligned target of 7% per annum.

- Engagement is the best approach to enabling the change required to address the Climate Emergency. However selective risk-based disinvestment is appropriate to facilitate the move to a low carbon economy.
- As well as creating risk, it also presents opportunities to make selective investments that achieve the required returns, whilst at the same time make a positive social and environmental impact, such as environmental infrastructure and clean energy and energy efficiency products and services.

The Fund also takes account of WPP's Responsible Investment and Climate Risk Policies.

Human Rights

Societal expectations of companies with regard to human rights are increasing, as are legal and regulatory obligations. There is an increasing expectation on companies to ensure that they protect human rights in line with international, legal and regulatory obligations on a global scale. The Committee recognises its role in supporting this principle and to urge improvement in company practice through its Voting & Engagement activity where this is warranted.

The Committee recognises that it has an obligation to respect human rights as outlined within the UN Guiding Principles on Business and Humans Rights (UNGP's) and to encourage good practice which protects against violation and exploitation. This extends to expecting compliance with normative standards and relevant legislation.

Stewardship activity around human rights is pursued both through the Fund's membership of LAPFF and via the engagement activity undertaken by WPP's Voting and Engagement provider, where the latter has specific focus on engagement themes tied to human rights issues over a three-year time horizon.

The Committee expects these efforts to result in greater transparency in order to drive real world improvements.

Section 10 - 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 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.

There are **5 distinct groups** with whom the Fund needs to communicate.

Scheme Members

Fund Website

The Fund has established an extensive website which sets outs Scheme provisions in a simple and concise manner. Information updates and news items are quickly added to notify members of any Scheme developments. Electronic copies of Fund literature, policies and reports are also readily available to download.

My Pension Online (MPO)

An integrated web portal via the Dyfed Pension Fund website, which allows members to view and update their pension details securely online. Members are able to perform accurate benefit calculations, update their death grant expression of wish and contact details, as well as view their annual benefit statement.

Annual Report and Accounts

An electronic copy of the Fund’s Annual Report and Accounts is available to all Scheme members via the My Pension Online service and the website. Hard copies are also available upon request.

Annual Newsletter(s)

The Fund issues an annual newsletter to all active members, covering current pension topics within the Local Government Pension Scheme (LGPS) and the pensions industry in general. The newsletter is also issued to all pensioners, providing notification on pension matters and other matters of interest. Specific single topic newsletters are also published and distributed to members on an ad hoc basis.

Annual Benefit Statements (ABS)

Statements are uploaded automatically to a member’s My Pension Online account, or sent directly to their home address if they have chosen not to register and have a hard copy request by 31st August. The active statement sets out the current value of benefits (as at 31st March), a projection to Normal Pension Age, the current value of death benefits. The deferred statement on the other hand shows the up rated value of benefits. Supplementary notes of guidance are provided with each statement.

Bilingual Scheme Literature

An extensive range of Scheme literature is produced by the Dyfed Pension Fund and is supplied to employing bodies and Scheme members directly. This Scheme literature forms part of the data held on the Fund’s website.

Statutory Notification

In compliance with Scheme Regulations, members are notified when any change occurs to their pension record, thereby affecting their pension benefits.

Online Seminars

Frequently held to raise member awareness and understanding towards general Scheme provisions. These sessions are currently delivered via Teams.

General Presentations & Courses

The Fund can deliver standard or tailored presentations on a wide range of LGPS related subjects. These sessions can be delivered online via Teams or face to face.

Pension Surgeries

Pension surgeries are available for groups of Scheme members by request, or for individual members on a surgery basis. Meetings can be arranged with the dedicated Communication & Training Officer and can be delivered online via Teams or face to face.

Pre-Retirement Courses

The Fund’s dedicated Communication & Training Officer is available to deliver online or face to face pre-retirement courses to inform members who are near retirement about their entitlement and Local Government procedures.

Correspondence

The Fund utilises both surface mail and e-mail to receive and send correspondence. Response will be made in the individuals preferred language of choice. The My Pension Online service also acts as another electronic medium.

Payment Advice / P60

Pensioners are issued with payment advice slips every April and thereafter when a variance of £5 or more occurs, unless they have chosen to utilise the My Pension Online service. P60 notifications are also issued annually in May, providing a breakdown of the annual amounts paid.

Pension Increase Statements

An annual statement is issued to all pensioners pending any increase in the appropriate cost of living index. These are issued electronically to those that have registered to the My Pension Online service.

Existence Validation (Life Certificate Exercise)

The Fund undertakes an annual exercise to establish the continued existence of pensioners in receipt of monthly pension payments via cheque and those living overseas.

Prospective Scheme Members

Scheme Booklet

All prospective Scheme members are provided with a Scheme booklet upon appointment.

Corporate Induction Seminars

The dedicated Communication & Training Officer will deliver a segment at any online employer corporate induction seminar, in order to present to prospective Scheme members the benefits of joining the Scheme. A one-to-one online meeting will also be offered to resolve any individual queries.

Non-Joiner Campaigns

The Fund will request formal notification of non-joiners from Scheme employers. The information will be used to market the Scheme to specific groups, with dedicated literature and campaigns being formulated in conjunction with Scheme employers from time to time.

Online Seminars

As well as being a valuable aid for pensioners and current scheme members, online seminars are used to target specific non-members. This ensures that members receive the information required to make an informed choice towards their pension provision.

Website

The Fund's website contains a specific section for non-joiners. It highlights the benefits of planning for retirement and what's provided by the Scheme so again an informed choice can be made.

Trade Unions

The Fund will endeavour to work with the relevant Trade Unions to ensure the Scheme is understood by all interested parties. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension related issues are communicated effectively with the Trade Unions.

Scheme Employers

Annual Consultative Meeting (ACM)

A meeting is held annually for all Scheme employers, at which detailed investment, financial and administrative reports are presented by Officers and Fund Managers. Other speakers may also be invited to discuss certain issues connected to the Pensions Industry.

Periodic Meetings

Periodically meetings are arranged for employers. Specifically this has been used as a means of communicating major strategic issues, significant legislation changes and end of year / triennial valuation matters. These meetings are held online via Teams or face to face.

Email Updates

Regulatory and administrative updates are frequently issued to all employers via email.

Training

Bespoke sessions can be delivered by the dedicated Communication & Training Officer to resolve any administrative training issues identified by the employer, or the Fund. These sessions can be held online via Teams or face to face.

Website

The Fund website has a dedicated Employer section that provides all employers with the guidance needed to effectively discharge their administrative responsibilities. Various publications are also available to download.

Online Submission of Data

Each employer is encouraged to submit a monthly data return via the i-Connect administration portal, with the relevant training and support being provided by the Fund's administration team.

Access to Pensions Administration System

Each employer has the opportunity to access the pension records of their current members to cross reference and check data.

Administration Strategy

Published in compliance with Scheme Regulations, the Administration Strategy defines the responsibilities of both the Fund and all Scheme employers in the administration of the Scheme. The strategy clearly sets out the level of performance expected from the Dyfed Pension Fund and all employers, as well as the consequence of not meeting statutory deadlines.

Fund Staff

Induction

All new members of staff undergo an induction program and are issued with an induction schedule. A periodic appraisal programme is also exercised to review and monitor employee performance and development.

Meetings

Departmental and Section meetings are held on a regular basis. Items arising from such meetings are escalated through to Senior Managers and Chief Officers. Any relevant matters are cascaded to all staff.

Training & Support

The Fund seeks to continually improve the capacity of staff to communicate effectively and to understand the importance of high-quality communication. Both general and pensions specific training is provided by the dedicated Communications & Training Officer and by the Local Government Pensions Committee (LGPC) as part of the Fund’s commitment to continual improvement. Staff are also encouraged to undertake relevant professional qualifications (as provided by the Chartered Institute of Payroll Professionals (CIPP)).

Seminars

Fund Officers regularly attend seminars and conferences held by associated bodies to obtain regulatory information and to further their knowledge and understanding. This information is later cascaded to all staff so that service delivery is improved.

Other Bodies

Other Pension Funds

The Fund works continuously to engage with other Pension Funds in Wales to evaluate specific partnership arrangements. The Fund is currently the lead authority within the All Wales Pension Funds Communication Working Group and also forms part of the Welsh Pension Funds Pensions Officer Group and Wales Pension Partnership.

Trade Unions

Details of the Local Government Pension Scheme (LGPS) are brought to the attention of their members by local representatives. They also assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Scheme.

National Information Forum

These meetings provide an opportunity to discuss issues of common interest and share best practice. The Department for Levelling Up, Housing & Communities (DLUHC) and the Local Government Pensions Committee (LGPC) are represented at each meeting.

Seminars

Fund Officers regularly participate at seminars and conferences held by LGPS related bodies.

Section 11 - 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, overseas Equities, Fixed Income, 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 Interest Securities – 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 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.

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