
Pension Fund Accounts 2013/14



CYNGOR SIR POWYS
POWYS COUNTY COUNCIL

County Hall
Llandrindod Wells
Powys
LD1 5LG

Pension Fund Account

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Chairman's Statement

The Pension Fund aims to deliver pensions effectively and efficiently at the lowest cost to the contributing employers. This requires a balance be struck between the risk and return of the investments held and to consider the future liabilities of the fund. We are committed to a long-term goal of stabilising the future pension costs to employers.

The cost to employers is based on the triennial actuarial valuation of the fund, the most recent one being completed as at 31 March 2013. The results of the valuation show an improvement in the funding level from 71% to 79%. The aim is to achieve 100% funding and the Committee, in conjunction with the Fund's advisors continue to explore methods of achieving this aim whilst minimising risk. The next valuation is due to be calculated as at 31 March 2016. The purpose of the valuation is to establish the contribution rates that employers should pay into the fund in order to finance member's future benefits. Employee rates are set in statute and are not affected by the valuation report. The full Valuation Report can be viewed on the Powys Pension Fund web site www.powyspensionfund.org.

It is worth noting that regardless of how the investments of the Fund perform the pensions of existing pensioners and the future pensions of employees are guaranteed. The Fund cannot be "wound up" like private sector schemes.

The current pension scheme based on final salary drew to a close in March 2014, with the new scheme, LGPS (Local Government Pension Scheme) 2014, beginning on 1st April 2014. The main difference between the schemes being, benefits will be based on career average earnings rather than final salary. Benefits accrued up to March 2014 are protected. Details of the new scheme can be found on the LGPS 2014 web site.

Martin Weale was elected as the employer's representative on the Pensions Committee in September. We welcome his appointment to the Committee & look forward to his contribution to the governance of the Pension Fund.

The fund this year invested in two pooled fixed interest funds with Insight Investments. This was funded by the disinvestment from the segregated fixed interest investments with Western Asset. Also, commitments to two new private equity funds with Harbourvest were entered into. Overall, the Fund returned 4.4% for the year ended 31st March 2014.

I trust that you find this year's report interesting and informative. Should you have any comments on this report or any aspect regarding the administration of the scheme, see Appendix 2 for details of how to contact us. As a reminder, the Members of Powys County Council are the Trustees of the Fund and as such are responsible for the administration.

Cllr Tony Thomas
Chair of the Pensions and Investment Committee

Fund Administration

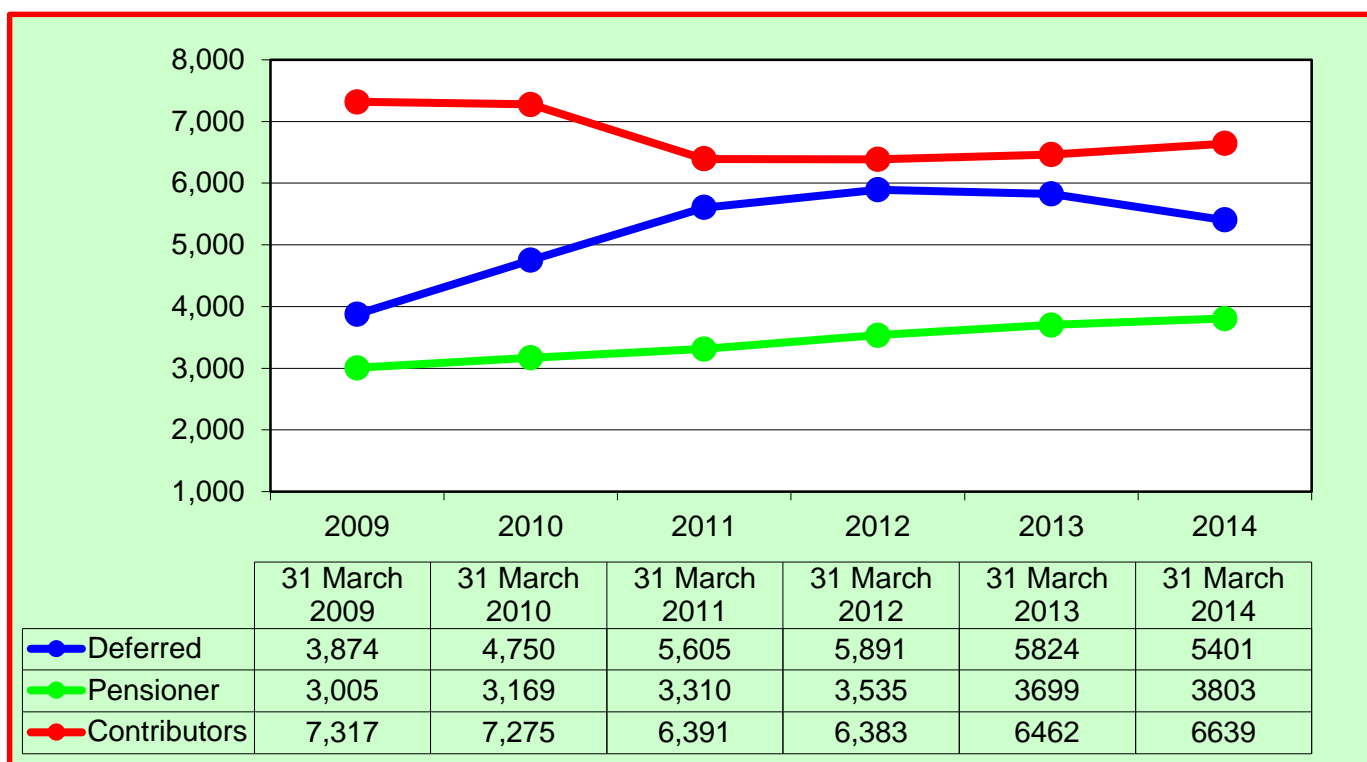
Scheme Details

Powys County Council is the administering Authority for the Powys Pension Fund. The Pension Fund provides future pension entitlement to all eligible employees of Powys County Council and the other participating bodies (Appendix 2). Membership of the scheme is not mandatory. It is a defined benefit pension scheme based on final salary up to March 31st 2014 and career average earnings from 1st April 2014. The contributions payable by employees and the benefits due to them are prescribed by the Local Government Pension Scheme Regulations. With effect from 01 April 2013 all members have been allocated a contribution rate based on the following:

Band	Range	Contribution Rate
1	Up to £13,700	5.5%
2	£13,701 to £16,100	5.8%
3	£16,101 to £20,800	5.9%
4	£20,801 to £34,700	6.5%
5	£34,701 to £46,500	6.8%
6	£46,501 to £87,100	7.2%
7	More than £87,100	7.5%

The fund excludes membership for teachers, police officers and fire fighters, for whom separate schemes exist.

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



Pension Increases

Pensions paid to retired members are increased each year in line with the cost of living, which is measured by the Consumer Price Index (CPI). Increases are payable from the first Monday of each tax year. The table below shows the pension increases of the last 5 years:

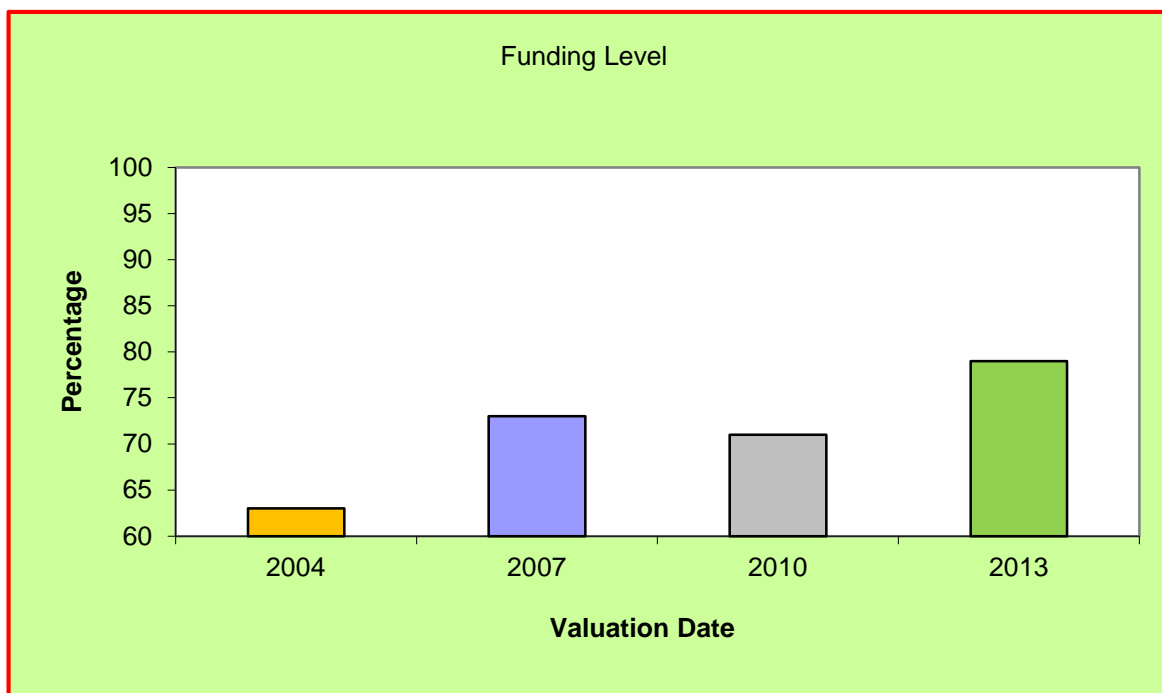
Effective Date	Increase %
12 th April 2010	0.0
11 th April 2011	3.1
9 th April 2012	5.2
8 th April 2013	2.2
7 th April 2014	2.7

Management of the Fund

The County Council is the designated statutory body responsible for administering the Powys Pension Fund of its constituent scheduled and admitted bodies. The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee, which meets at least quarterly. The Committee has co-opted two non-voting members, one staff representative nominated by the Trade Unions and one representative nominated by the Outside Bodies Employers. The Committee will review market conditions and economic trends with the aim of forming a view on the prospects for each of the world markets over the short, medium and long term. The Pensions and Investment Committee, alongside the Chief Financial Officer and the external experts it employs, provided the general direction and advice by which the Fund is managed. It also monitors the performance of the Fund and the investments for which the administering Authority is responsible.

Day to day administration of the scheme is provided by the Pensions Section of Powys County Council. A list of the bodies that have been admitted to the scheme can be found in Appendix 2.

Funding and Valuation



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

The employers' rate of contribution is assessed by the Actuary to the Fund who reviews the future income and liabilities of the Fund. These reviews, or actuarial valuations, are required by law with a major review being undertaken every third year. The next valuation of the Fund will be completed in autumn 2016.

The actuarial valuation as at 31 March 2013 showed the assets held at the valuation date were sufficient to cover only 79% of the accrued liabilities assessed on an ongoing basis. Efforts continue to be made to address this deficit. It is the long-term goal to achieve 100% funding. The level of funding has no impact on members' benefits which are guaranteed by law.

Additional Voluntary Contribution (AVC) Scheme

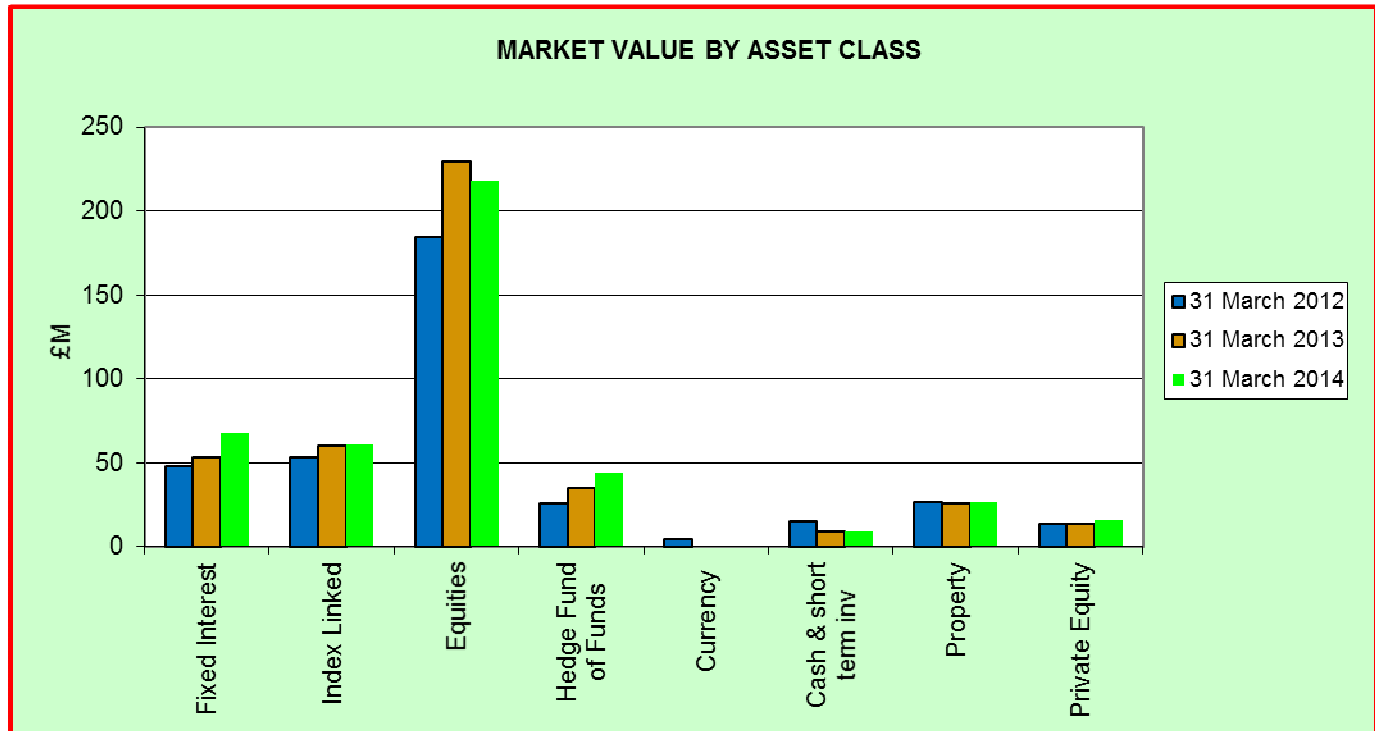
Since 06 April 1988, it has been a legal requirement for all Pension Schemes to provide members with access to an in-house AVC Scheme. The Authority's appointed providers are the Equitable Life Assurance Society, the Standard Life Assurance Company and Prudential plc. Members are able to pay contributions into a variety of AVC arrangements offered by the providers, in order to secure additional pension benefits. The AVC investments are excluded from the Pension Fund Accounts.

Statement of Investment Principles

As required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093) the Pensions and Investment Committee have produced a Statement of Investment Principles which complies with the six investment principles set out by the Chartered Institute of Public Finance Accountants (CIPFA) Pensions Panel – Appendix 5.

Investment Report

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



The investment style of the Fund is to appoint external expert fund managers with clear performance benchmarks and place accountability for performance against those benchmarks on the fund managers. The Chief Financial Officer must ensure that the management of the Fund falls within the requirements of the Local Government Pension Scheme Regulations.

Performance Review

	1 Year %	3 Years %	5 Years %
Powys Overall Return Annualised Rolling Return pa	4.4	8.1	10.7
Inflation CPI	1.6	2.6	3.1
Average Earnings Index	1.8	1.7	2.0

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

The performance of each of the current Fund Managers for 2013/14 is shown in the table on the next page. The Fund Managers have been given a rolling 3-year specific performance target measured against the benchmark return in the relevant asset class. The targets include a minimum acceptable performance level.

Mandate	Fund Performance (%)	Performance Benchmark (%)
BlackRock Global Investors (Balanced)	8.3	7.3
BlackRock Global Investors (Index-Linked Funds)	-4.5	-4.4
Aberdeen Asset Management (Global Equity)	1.3	9.0
MFS (Global Equity)	8.0	8.4
Schroder Investment Manager (Global Equity)	9.9	8.4
Aviva Investors (UK Property)	11.0	12.2
Permal (Hedge Fund of Funds)	9.9	0.5
GAM (Hedge Fund of Funds)	-2.9	7.5
Goldman Sachs (Hedge Fund of Funds) *	10.3	0.5
CBRE Investors (European Property)	-11.1	2.5
Insight Bonds Plus (Fixed Interest)	1.2	0.1
Insight UK Corp' Bond (Fixed Interest)	1.7	2.4
Standard Life Investments (Private Equity)	0.2	6.7
HarbourVest Partners VII (Private Equity)	16.0	6.7
HarbourVest Partners VIIIa - Buyout (Private Equity)	18.2	6.7
HarbourVest Partners VIIIb -Venture (Private Equity)	10.5	6.7
HarbourVest Partners IXa - Buyout (Private Equity)	-18.8	0.7
HarbourVest Partners IXb -Venture (Private Equity)	5.9	0.7
Overall Fund	4.4	

During 2013/14 the fund placed the disinvestment of the Western Assets portfolio in two new fixed interest funds with Insight Investments and committed to two new private equity funds with Harbourvest. Of the £2.828m capital commitment (Note 19) outstanding as at 31 March 2013, £0.49m was drawn down.

Investment manager structure as a percentage of fund total, as at 31st March 2014

Asset Class	Manager						Total %
	Blackrock	Aberdeen, Schrodgers, MFS	Insight Investments	Permal, GAM, Goldman Sachs	Aviva, CBRE	Std Life, Harbourvest	
	Passive %	Active %	Active %	Active %	Active %	Active %	
Equities	27.3	22.0					49.3
Fixed Interest	2.7		12.7				15.4
Index Linked	13.8						13.8
Property					6.0		6.0
Private Equity						3.5	3.5
Hedge Fund				9.9			9.9
Cash/ Other	2.1						2.1
TOTAL	45.9	22.0	12.7	9.9	6.0	3.5	100.0

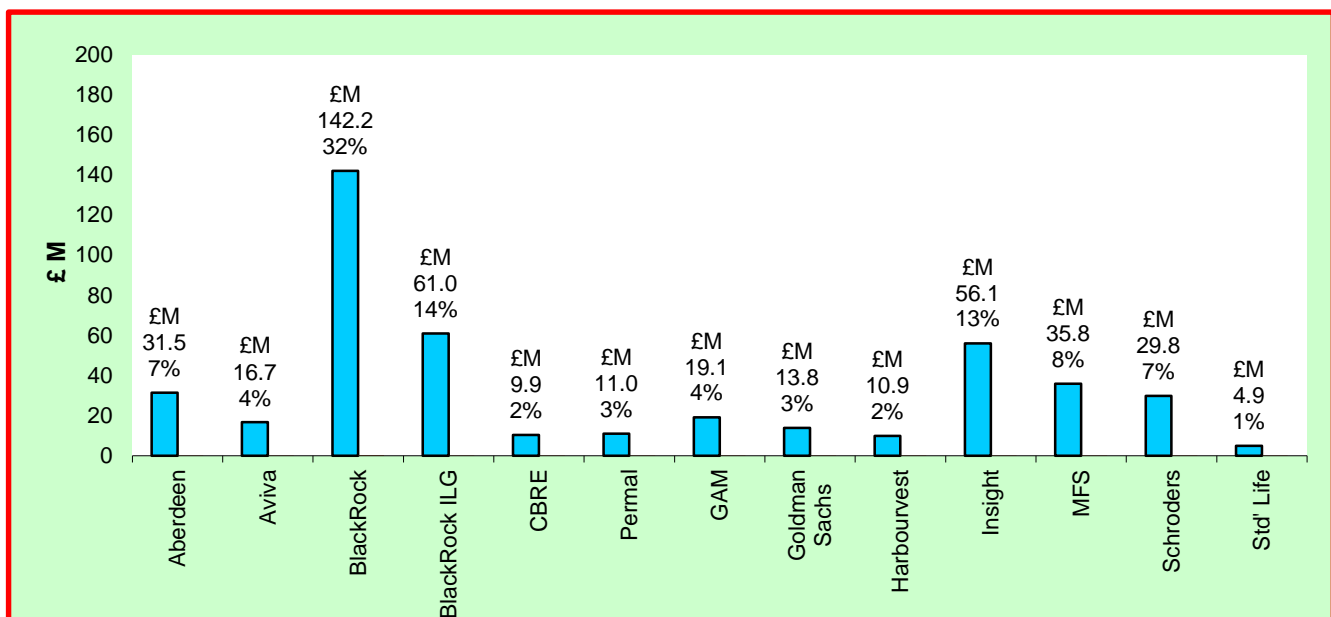
The strategic asset allocation is as follows:

	2012/13	2013/14
Equities	47%	47%
Fixed Interest and Index Linked Securities	30%	30%
Property	10%	10%
Private Equity	5%	5%
Hedge Fund of Funds	8%	8%

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

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

AON Hewitt Limited currently operates a Medium Term Asset Allocation (MTAA) project for the Fund. It utilises all of the Fund's assets excluding Private Equity. The MTAA service has the target of increasing the return achieved by these assets by 0.5% per annum by deliberately allocating assets away from the strategic allocation to take advantage of market over/under valuations during the medium term. The MTAA service has an artificial benchmark of 52% equity, 33% bonds, 15% alternatives. The market value of assets spread between the fund managers as at 31 March 2014 is shown below:



Net Assets Statement

As at 31 March

	Note	2013 £'000	2014 £'000
Investments	11	425,834	442,753
Current Assets	14	3,685	4,156
Current Liabilities	14	-4,155	-10,227
NET ASSETS AS AT 31 MARCH		425,364	436,682

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

Pension Fund Account

	Note	2012/13 £'000	2013/14 £'000
<u>Contributions and Benefits</u>			
Contributions Receivable	4	21,894	24,911
Transfers In	5	1,648	899
Other Income	6	77	75
TOTAL INCOME		23,619	25,885
Benefits Payable	7	20,576	22,859
Payments on Account of Leavers	8	812	9,976
Administrative Expenses	9	724	921
TOTAL EXPENDITURE		22,112	33,756
NET ADDITIONS FROM DEALING WITH MEMBERS		1,507	-7,871
<u>Returns on Investments</u>			
Investment Income	10	3,798	3,687
Change in Market Value of Investments	11	49,361	17,741
Investment Management Expenses	13	-1,590	-2,239
NET PROFIT ON INVESTMENTS		51,569	19,189
NET INCREASE IN THE FUND		53,076	11,318
OPENING NET ASSETS		372,288	425,364
CLOSING NET ASSETS		425,364	436,682

Notes to the Pension Accounts

1. Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the 2013/14 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

2. Accounting Policies

- Contributions and Benefits
Contributions are accounted for on an accruals basis. Benefits payable represents the benefits entitlement up to the end of the reporting period.
- Transfers to other Schemes
Transfer payments made to other schemes are as a result of early leavers and are accounted for when paid.
- Transfers from other Schemes
Transfers received from other schemes are for new members and are accounted for when received. No liability to the scheme accrues until all monies have been received from the transferor's scheme.
- Refunds to Leavers
These are accounted for when due.
- Investment Management Expenses
Each fund manager receives a fee for their services based on the market value of the assets they manage.
- Investment Income
Interest income
Interest income is recognised in the fund account as it accrues.

Distributions from pooled funds

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

Movement in the net market value of investments

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

- Foreign Currency Transactions

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

- Valuation of Assets

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

- Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

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

- Taxation

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

- Financial liabilities

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

- Actuarial present value of promised retirement benefits

The actuarial value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net assets statement (note 22).

- Administrative expenses

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

- Contingent Liabilities

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

3. Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equity investments are valued by the investment managers using acceptable guidelines. The value of these investments at 31 March 2014 was £15.8m (31 March 2013: £13.5m).

Pension fund liability

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

4. Contributions Receivable

	2012/13 £'000	2013/14 £'000
<u>Employers</u>		
Normal	16,615	18,059
Additional	419	1,950
<u>Members</u>		
Normal	4,860	4,902
	21,894	24,911

	2012/13 £'000	2013/14 £'000
Contributions were made as follows:		
Powys County Council (Administering Authority)	19,423	23,387
Scheduled Bodies (Appendix 3)	1,178	924
Admitted Bodies (Appendix 3)	1,293	600
	21,894	24,911

5. Transfers In

	2012/13 £'000	2013/14 £'000
Individual Transfers From Other Schemes	1,648	899

6. Other Income

	2012/13 £'000	2013/14 £'000
Administrative Fees Received	25	12
Additional Allowances Recovered	52	63
	77	75

7. Benefit Payable

	2012/13 £'000	2013/14 £'000
Pensions	17,273	18,158
Commutations and Lump Sum Retirement Benefits	3,067	4,261
Lump Sum Death Benefits	236	440
	20,576	22,859

	2012/13 £'000	2013/14 £'000
Benefits Can Be Further Analysed:		
Powys County Council (Administering Authority)	11,455	13,950
Scheduled Bodies (Appendix 4)	8,113	8,013
Admitted Bodies (Appendix 4)	1,008	896
	20,576	22,859

8. Payments to and on Account of Leavers

	2012/13 £'000	2013/14 £'000
Refunds to Members Leaving Service	6	7
Payments to Members Joining State Scheme	-	1
Individual Transfers to Other Schemes	806	9,968
	812	9,976

9. Pensions Administration

	2012/13 £'000	2013/14 £'000
Powys CC Fees	662	767
Direct Administration Fees	32	81
Audit Fees	30	29
Actuarial Fees	-	44
	724	921

Actual audit fees for 2013/14 were £35k. A rebate of £6k was received relating to previous years fees.

10. Investment Income

	2012/13 £'000	2013/14 £'000
Income From Fixed Interest Securities	2,409	1,682
Income From Indexed Securities	806	1,624
Dividends From Equities	-	-
Interest on Cash Deposits	293	4
Other Investment Income	290	377
	3,798	3,687

11. Investments

	Value at 01.04.13 £'000	Purchases at Cost £'000	Sale Proceeds £'000	Cash Movement £'000	Change in Market Value £'000	Value at 31.03.14 £'000
Fixed Interest Securities	53,340	69,750	59,095	1,152	2,653	67,800
Index linked Securities	60,155	17,398	13,814	1,740	-4,502	60,977
Equities (pooled funds)	229,118	41,245	68,934	-263	16,980	218,146
Property (pooled funds)	26,073	-	711	213	1,018	26,593
Private Equity	13,546	3,576	2,882	-456	2,061	15,845
Hedge Fund of Funds	34,615	8,000	-	-436	1,798	43,977
Cash & Short Term Investments	8,987	27,050	24,355	-	-2,267	9,415
	425,834	167,019	169,791	1,950	17,741	442,753

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

These transaction costs incurred in the year are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme. All equity investments held by the fund are now in unit trusts.

12. Breakdown of Investments

	2012/13 £'000	2013/14 £'000
Fixed Interest Securities		
UK Public Sector Quoted	10,335	-
UK Quoted	42,949	11,750
Overseas Quoted	56	-
Pooled Funds	-	56,050
	53,340	67,800
Index Linked Securities		
UK Quoted	60,155	60,977
Overseas Quoted	-	-
	60,155	60,977
Equities – Pooled	229,118	218,146
Hedge Fund of Funds	34,615	43,977
Private Equity	13,546	15,845
Property	26,073	26,593
Cash	8,992	116
Liquidity Funds	-	9,299
Derivatives		
Futures Options	-	-
Forward Foreign Exchange Contracts	-5	-
	425,834	442,753

13. Investment Management Expenses

	2012/13 £'000	2013/14 £'000
Administrative Management and Custody	1,568	2,216
Performance Measurement Charges	22	23
	1,590	2,239

14. Current Assets and Liabilities

	2012/13 £'000	2013/14 £'000
<u>Current Assets</u>		
Contributions due from Employers and Members	191	665
Cash Balances	471	2,808
Sundry Debtors	3,023	683
	3,685	4,156
<u>Current Liabilities</u>		
Benefits Payable	-289	-9,177
Sundry Creditors	-3,866	-1,050
	-4,155	-10,227

Amounts unpaid at the year end are subsequently paid within a reasonable time frame, i.e. the majority of the balances are paid within a 3 month period. Current liabilities includes a provision of £8.9m for the bulk transfer of Coleg Powys to the Swansea fund.

15. Related Party Transactions

Details of Members and officers of the Council represented on the Pensions and Investment Committee are shown in Appendix 1. Their combined contributions into the scheme were £22k in 2013/14.

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

The Authority incurred costs of £766,000 (2012-2013: £662,000) 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 £16,885,880 to the Fund in 2013-2014 (2012-2013: £15,944,994) in employers contributions.

Governance

There are five councillor members of the Pensions & Investment Committee. In 2013-14 these were Councillor T Thomas, Councillor P Ashton Councillor G Vaughan, Councillor A Jones, & Councillor T Turner.

The Director of Resources, Mr David Powell, who has the role of Section 151 Officer for the Authority, plays a key role in the financial management of the Fund and is also an active member of the Fund.

Councillors are required to declare their interest at each meeting.

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

The full Governance Policy of the Powys Pension Fund is available on the Powys County Council website.

16. Additional Voluntary Contributions (AVC)

Although not included in these accounts the Authority has three AVC providers – Standard Life, Equitable Life and Prudential. The amounts below represent monthly contributions from employees and do not include any transfers from private pension schemes. The employing Authorities make no contribution.

	2012/13 £'000	2013/14 £'000
Powys County Council	105	254
Other Bodies	2	6
	107	260

17. Contingent Liabilities

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

18. Post Balance Sheet Events

The accounts outlined in these financial statements represent the financial position of the Fund as at 31 March 2014. Since this date, the performance of the global markets may have affected the financial value of pension fund investments.

19. Capital Commitments

	2012/13 £'000	2013/14 £'000
Private Equity and Property Mandate		
Standard Life (Private Equity)	1,055	1,049
Harbourvest (Private Equity)	1,398	12,252
CBRE (Property)	375	375
	2,828	13,676

20. Stock Lending

As set out in the Statement of Investment principles, the Fund, custodian or investment managers do not engage in stock lending on behalf of the Fund.

21. Financial Instruments

21a. Fair value of financial instruments & liabilities

The table below summarises the carrying values of the financial assets & liabilities compared with their fair values.

31 March 2013			31 March 2014	
Cost £'000	Fair Value £'000		Cost £'000	Fair Value £'000
		Financial assets		
333,125	425,834	Fair value through profit & loss	361,696	442,753
3,668	3,685	Current assets	4,156	4,156
336,793	429,519	Total financial assets	365,852	446,909
		Financial liabilities		
-4,155	-4,155	Current liabilities	-10,227	-10,227
-4,155	-4,155	Total financial liabilities	-10,227	-10,227

21b. Valuation of financial instruments carried at fair value

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

Level 1

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

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

Level 3

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

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

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

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

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

Values as at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	356,338	26,594	59,821	442,753
Current assets	4,156			4,156
Current liabilities	-10,227			-10,227
Net financial assets	350,267	26,594	59,821	436,682

Values as at 31 March 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	351,605	26,074	48,155	425,834
Current assets	3,685			3,685
Current liabilities	-4,155			-4,155
Net financial assets	351,135	26,074	48,155	425,364

22. Actuarial Present Value of Promised Retirement Benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2014 of the actuarial valuation of promised retirement benefits as set out in IAS26. The actuarial present value should be calculated on an IAS 19 basis. IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the IFRS.

Actuarial present value of the promised retirement benefits as at 31 March 2013 is £632.4M

Actuarial present value of the promised retirement benefits as at 31 March 2010 was £568.8M

23. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

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

Market risk

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

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

The following movements in market price risk are reasonably possible for 2014/15 as determined by WM. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain unchanged.

Asset Type	Potential Market Movement (+ / -)
Overseas Equities	11.0 %
Global Pooled Equities	11.7 %
Total Bonds inc' Index Linked	6.0 %
Cash	0.0 %
Property	4.0 %
Alternatives	3.4 %

The table below shows the Fund's value at 31 March 2015 should the investments increase/decrease in line with the above.

Asset Type	Value at 31.03.14 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Fixed Interest Securities	67,800	6.0	71,868	63,732
Index Linked Securities	60,977	6.0	64,636	57,318
Equities (Pooled)	218,146	11.7	243,669	192,623
Hedge Fund of Funds	43,977	3.4	45,472	42,482
Private Equity	15,845	3.4	16,384	15,306
Property	26,593	4.0	27,657	25,529
Cash	9,415	0.0	9,415	9,415
Total Assets	442,753		479,101	406,405

Interest rate risk

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

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

A 0.5% volatility associated with interest rates is considered likely, based on the Authorities Treasury Management advisors latest advice.

The fund's exposure to interest rate movements as at 31 March 2013 and 31 March 2014 is set out below.

Asset Type	As at 31.03.13 £'000	As at 31.03.14 £'000
Cash	8,992	9,415
Cash Balances	471	2,808
Fixed Interest Securities	53,340	67,800
Total	62,803	80,023

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 +/- 0.5% change in interest rates.

Asset Type	Value at 31.03.14 £'000	Change to net assets available to pay benefits	
		+0.5% £'000	-0.5% £'000
Cash	9,415	9,462	9,368
Cash Balances	2,808	2,822	2,794
Fixed Interest Securities	67,800	68,139	67,461
Total Assets	80,023	80,423	79,623

Currency risk

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

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

The fund's currency exposure as at 31 March 2013 and 31 March 2014 is set out below.

Asset Type	As at 31.03.13 £'000	As at 31.03.14 £'000
Private Equity	13,546	15,845
Currency	360	-
Derivatives	-349	-
Total	13,557	15,845

A 7.2% volatility associated with exchange rates is considered likely, based on the fund advisor's analysis of historical movements in the month end exchange rates over a 3 year period.

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

A 7.2% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Value at 31.03.14 £'000	Change to net assets available to pay benefits	
		+7.2% £'000	-7.2% £'000
Private Equity	15,845	16,986	14,704
Currency	-	-	-
Derivatives	-	-	-
Total Assets	15,845	16,986	14,704

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The table below shows the funds cash holding as at 31 March 2013 and 31 March 2014.

Summary	Rating	As at 31.03.13 £'000	As at 31.03.14 £'000
Bank Current Account			
HSBC	AA-	9	5
Bank Deposit Account			
HSBC	AA -	462	2,803

Liquidity risk

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

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

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2014 the value of illiquid assets was £433.2m, which represented 96.9% of the total fund assets - (31 March 2013 - £416.9m, which represented 97.9% of the total fund assets).

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

All financial liabilities at 31 March 2014 are due within one year.

Refinancing risk

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

24. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.

There are no accounting standards that have been issued but have yet to be adopted.

25. Future Liabilities

There are no future liabilities unaccounted for as at 31st march 2014.

Powys County Council Pension Fund

Statement of the Actuary for the year ended 31 March 2014

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Powys County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £425M) covering 79% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:
 - 15.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 25 years from 1 April 2014, amounting to £5.6M in 2014/15, and increasing by 3.9% p.a. thereafter.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
 4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.
 5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	5.3% p.a.
Discount rate for periods after leaving service	5.3% p.a.
Rate of pay increases:	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2016.
8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, Powys County Council, the Administering Authority of the Fund, in respect of this Statement.
9. The report on the actuarial valuation as at 31 March 2013 is available on request from Powys County Council, the Administering Authority of the Fund.

Aon Hewitt Limited

12 June 2014

APPENDIX 1 – PENSIONS AND INVESTMENT COMMITTEE

The Pensions and Investment Committee meet on a quarterly basis. During 2013/14 it consisted of the following:-

County Councillors:

Mr T. Thomas (Chairman)
Mr P. Ashton (Vice Chair)
Mr A. Jones
Mr G. Vaughan
Mr T Turner

Members Representative:

Mr G. Jones

Outside Bodies Employers Representative:

Mr M. Weale

County Council Officers in Attendance:

Mr G. Petty (Strategic Director – Finance & Infrastructure)
Mr D. Powell (Director Resources)
Mr J. Rollin (Pensions Manager)
Mrs A. Owen (Treasury Manager)
Mr S. Offa (Pensions Accounts)

Fund Managers:

Aberdeen Asset Management	Aviva Investors
Blackrock Global Investors (BGI)	CBRE
Fauchier Partners	GAM
Goldman Sachs	HarbourVest Partners
Insight Investments	MFS
Schroders Investment Management	Standard Life Investments

Global Custodian
Independent Advisor to the Fund
Actuary
Performance Measurement

J.P. Morgan
Mr S. Cole (Aon Hewitt Limited)
Aon Hewitt Limited
WM Performance Services

The Global Custodians hold the investments in the name of the Pension Fund.

APPENDIX 2 – OTHER BODIES

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

Scheduled Bodies

Brecon Beacons National Park
Brecon Town Council
Knighton Town Council
Llandrindod Wells Town Council
Llanidloes Burial Joint Committee
Magistrates Court
Newtown and Llanllwchaearn Town Council
Powys County Council
Probation Committee
Welshpool Town Council
Ystradfellte Community Council
Ystradgynlais Town Council

Admitted Bodies

BUPA Care Homes
Careers Wales Powys
Celtica
Development Board for Rural Wales
MENCAP
Menter Maldwyn
Mirus Wales
Powys Association of Voluntary Organisations
Powys Valuation Panel
Presteigne Shire Hall Museum Trust
Theatr Brycheiniog
Wales European Centre

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

Contact List and Communications

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

Pensions Administration		
Pensions Manager:	Joe Rollin	08708 510264

Accounts and Investments		
Professional Lead for Finance	Jane Thomas	01597 826341
Pensions Accounts	Stephen Offa	01597 826727

APPENDIX 3 – CONTRIBUTIONS BY SCHEDULED AND ADMITTED BODIES

2013/14	No of Contributors	Employers Normal £	Employers Additional £	Members Normal £	Total £
Scheduled Bodies					
Brecon Beacons National Park	134	511,158	-	175,098	686,256
Brecon Town Council	4	12,905	-	3,382	16,287
Coleg Powys	0	115,649	10,788	40,765	167,202
Llandrindod Wells Town Council	1	4,316	-	1,569	5,885
Llanidloes Burial Joint Committee	1	3,002	-	654	3,656
Newtown Town Council	3	11,213	-	3,158	14,371
Powys County Council	6,394	16,882,660	1,939,096	4,565,817	23,387,573
Welshpool Town Council	2	11,427	-	1,196	12,623
Ystradfellte Community Council	1	501	-	117	618
Ystradgynlais Town Council	3	13,468	-	3,918	17,386
Total	6,543	17,566,299	1,949,884	4,795,674	24,311,857
Admitted Bodies					
BUPA	51	266,506	-	44,772	311,278
Mencap	1	-	-	-	-
Menter Maldwyn	3	11,180	-	4,178	15,358
Mirus-Wales Ltd	7	23,160	-	7,467	30,627
P.A.V.O. (Former P.R.C.)	6	26,750	-	6,917	33,667
Careers Wales	24	155,121	-	39,263	194,384
Presteigne Shirehall	1	3,114	-	736	3,850
Theatr Brcheiniog	3	7,446	-	3,030	10,476
Total	96	493,277	-	106,363	599,640
2012/13					
Scheduled Bodies					
Brecon Beacons National Park	130	494,411	-	170,056	664,467
Brecon Town Council	4	12,012	-	3,131	15,143
Coleg Powys	161	332,927	-	118,159	451,086
Llandrindod Wells Town Council	1	4,143	-	1,505	5,648
Llanidloes Burial Joint Committee	1	3,026	-	680	3,706
Newtown Town Council	2	9,267	-	2,482	11,749
Powys County Council	6,056	14,718,633	265,337	4,438,672	19,422,642
Welshpool Town Council	2	7,224	-	1,165	8,389
Ystradfellte Community Council	1	499	-	118	617
Ystradgynlais Town Council	3	12,950	-	3,833	16,783
Total	6,361	15,595,092	265,337	4,739,801	20,600,230
Admitted Bodies					
BUPA	54	294,449	-	48,263	342,712
Mencap	1	822	-	211	1,033
Menter Maldwyn	3	10,309	-	3,904	14,213
Mirus-Wales Ltd	6	2,299	-	757	3,056
P.A.V.O. (Former P.R.C.)	7	32,334	-	9,549	41,883
P.C.G.S. Ltd	24	663,493	153,809	51,178	868,480
Presteigne Shirehall	1	3,036	-	721	3,757
Theatr Brcheiniog	5	12,956	-	5,408	18,364
Total	101	1,019,698	153,809	119,991	1,293,498

APPENDIX 4 – BENEFITS PAID TO SCHEDULED & ADMITTED BODIES

2013/14	Retirement Pensions £	Commutation & Lump Sums £	Death Benefits £	Total £
<u>Scheduled Bodies</u>				
Brecknock Borough Council	738,438	-	-	738,438
Brecon Beacons National Park	308,331	139,626	-	447,957
Brecon Town Council	218	-	-	218
Coleg Powys	126,982	37,544	8,864	173,390
Knighton Town Council	7,729	-	-	7,729
Llandrindod Wells Town Council	1,849	-	-	1,849
Llanidloes Burial Joint Committee	539	-	-	539
Magistrates Courts Committee	13,104	17,725	-	30,829
Montgomeryshire District Council	991,879	28,029	-	1,019,908
Newtown Town Council	7,300	-	-	7,300
Powys County Council	14,618,346	3,900,644	430,982	18,949,972
Probation Committee	71,003	-	-	71,003
Radnorshire District Council	488,163	62	-	488,225
Welshpool Town Council	25,362	-	-	25,362
Ystradgynlais Town Council	42	-	-	42
Total	17,399,285	4,123,630	439,846	21,962,761
<u>Admitted Bodies</u>				
BUPA	275,025	60,936	-	335,961
Celtica	178	-	-	178
D.B.R.W.	251,677	32,126	-	283,803
Menter Maldwyn	2,472	23,221	-	25,693
P.A.V.O. (Former P.R.C.)	44,675	5,194	-	49,869
Careers Wales	151,570	11,575	-	163,145
Powys Valuation Panel (Vcct)	25,197	-	-	25,197
Theatr Brycheiniog	2,353	3,457	-	5,810
Wales European Centre (Wec) Lt	6,032	411	-	6,443
Total	759,179	136,920	-	896,099

2012/13	Retirement Pensions £	Commutation & Lump Sums £	Death Benefits £	Total £
<u>Scheduled Bodies</u>				
Brecknock Borough Council	730,172	211	-	730,383
Brecon Beacons National Park	284,431	29,360	-	313,791
Brecon Town Council	218	0	-	218
Coleg Powys	136,683	50,554	-	187,237
Knighton Town Council	7,558	0	-	7,558
Llandrindod Wells Town Council	1,808	0	-	1,808
Llanidloes Burial Joint Committee	529	0	-	529
Magistrates Courts Committee	8,819	26,046	-	34,865
Montgomeryshire District Council	988,276	81,452	-	1,069,728
Newtown Town Council	7,148	-	-	7,148
Powys County Council	13,821,031	2,594,522	186,894	16,602,447
Probation Committee	69,588	-	-	69,588
Radnorshire District Council	496,735	11,261	-	507,996
Welshpool Town Council	35,471	-	-	35,471
Ystradgynlais Town Council	41	-	-	41
Total	16,588,508	2,793,406	186,894	19,568,808
<u>Admitted Bodies</u>				
BUPA	258,347	53,167	48,745	360,259
D.B.R.W.	240,519	7,276	-	247,795
P.A.V.O (Former P.R.C)	43,590	-	-	43,590
P.C.G.S Ltd	115,332	172,862	-	288,194
Powys Valuation Panel (Vcct)	24,225	-	-	24,225
Theatr Brycheiniog	94	-	-	94
Wales European Centre (Wec) Ltd	2,924	40,556	-	43,480
Total	685,031	273,861	48,745	1,007,637

APPENDIX 5 - STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

- 1.1 Local Government Pension Scheme (LGPS) Funds are required to publish a Statement of Investment Principles (SIP)¹ which must include the Fund's policy on the following:
- The types of investment to be held;
 - The balance between different types of investment;
 - Risk, including the ways in which risks are to be measured and managed;
 - The expected return on investments;
 - The realisation of investments;
 - The extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
 - The exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy: and
 - Stock lending.
- 1.3 In response to the Treasury report Updating the Myners Principles: A Response to Consultation (October 2008) , LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replace the ten Myners principles published in 2001 (see Appendix A).
- 1.2 The SIP will be regularly reviewed and updated as necessary.
- 1.3 A copy of the SIP will be made available on request to any interested party.

¹ Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093)

2. Overall Responsibility

- 2.1 The County Council is the designated statutory body responsible for administering the Powys Pension Fund on behalf of its constituent scheduled and admitted bodies.
- 2.2 Elected members have a fiduciary duty to the Fund, scheme members and local council taxpayers in relation to the LGPS. Functions may be delegated to Officers but they retain overall responsibility for the management of the fund and its investment strategy and individual decisions about investments. The County Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out monitoring and reviews of investment and performance. The County Councils Constitution delegates these functions to the Pensions & Investment Committee.
- 2.3 The Investment Regulations permit the appointment of one or more investment managers to manage the fund on their behalf, provided that the investment managers are suitably qualified by their ability and practical experience of financial matters to make investment decisions for them, and to their compliance with other specific requirements of the regulations.
- 2.4 Administering Authorities are required to take proper advice to enable them to fulfil their obligations, "Proper advice" is defined in the regulations as "the advice of a person who is reasonably believed to be qualified by his ability and practical experience of financial matters".
- 2.5 The County Council has delegated the decision-making responsibilities to the Pensions and Investment Committee. The Section 151 Officer and external fund advisors offer advisory support. The Committee has co-opted two non-voting members, one staff representative nominated by the Trade Unions and one representative nominated by the Outside Bodies Employers.
- 2.6 Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the fund. The members of the Pension and Investment Committee will ensure they receive training as and when deemed appropriate, to enable them to evaluate critically any advice they receive.
- 2.7 The County Council has in place arrangements for the provision of specialist advice relating to actuarial matters (including the triennial valuation) and investment matters (including asset allocation and manager appointment).
- 2.8 The County Council has appointed independent specialists to provide actuarial and investment advice and is prepared to pay sufficient fees to attract a broad range of both kinds of providers when tendering.
- 2.9 The County Council will use suitable means to assess the advice received from its advisers in terms of its contribution to the decision making process.
- 2.10 Investment Committee

2.10.1 Powys County Council delegates responsibility for the Adminstrating Authority role to the Pensions & Investment Committee. This includes investing the Fund's assets. The Committee is supported by the Fund Administrator and Investment Advisors.

2.10.2 The Committee is responsible in respect of investment matters:

- a. To determine the overall strategy relating to the investment of the Pension Fund's assets and to meeting the Fund's liabilities.
- b. To keep under review the performance of the Pension Fund and the Fund's managers.
- c. To approve the appointment of advisers and fund managers.
- d. To publicise its stewardship role to all Scheduled and Admitted Bodies of the Powys Pension Fund and to all contributors and beneficiaries in accordance with the Fund's Communication Strategy.

2.11 Investment Managers

2.11.1 Each Investment Manager will be responsible for:

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

2.12 Investment Consultant

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

- a. Reviews of the Statement of Investment Principles.
- b. Presentation and interpretation of investment performance measurement results.
- c. The Potential impact of:
 - any changes in the Investment Managers' organisations that could affect the interests of the Fund
 - any changes in the investment environment that could present either opportunities or problems for the Fund.
- d. Investment manager selection, retention and termination;
- e. Benchmark adjustments;

- f. The appropriate content of Investment Management and other related Agreements;
- g. Appropriate investment structures for the Fund in the light of the Fund's liability profile. This will involve working with the Fund's Actuary.
- h. Ad-hoc project work as required including research reviews of Investment Managers.

3. Investment Objectives

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

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

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

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

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

4. The Types of Investment to be held

4.1 The County Council seeks to achieve its investment objectives through investing in a suitable mixture of real and monetary assets. A mixture across the asset classes should provide the level of returns required by the fund to meet its liabilities at an acceptable level of risk and at an acceptable level of cost.

4.2 In making asset allocation decisions the County Council will consider the following asset classes:

- UK Equities
- Overseas Equities
- Private Equity
- Property

- Fixed Interest Securities
- Index Linked Securities
- Cash and Currency
- Other Assets, such as hedge funds.

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

- Take proper advice from specialist, independent advisers and give consideration to the desirability of receiving advice based on an asset / liability study
- Consider the extent to which the assets should match the liabilities
- Consider the volatility of returns which it is prepared to accept
- Determine the split between matching and returning seeking assets before it gives consideration to any other asset class.
- Have due regard to the diversification and suitability of investments

5. The Balance Between Different Types of Investments

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

5.2 The current Medium Term Asset Allocation (MTAA) project utilises all of the Fund's assets excluding Private Equity. The MTAA service has the target of increasing the return achieved by these assets by 0.5% p.a. by deliberately allocating assets away from the strategic allocation to take advantage of market over/under valuations during the medium term. This service will run from early 2011 to early 2014. The Pensions & Investment Committee has recently decided to extend the project period, with regular reviews as they see fit. The MTAA service has an artificial benchmark of 52% equity / 33% bond / 15% alternatives. It operates within tolerance bands so the difference between the actual allocation and the strategic allocation will not deviate beyond these set limits. For further information on the MTAA project, please see Appendix B.

5.3 The current strategic benchmark is as follows:

Asset Allocation

Asset Class	%	Benchmark Index
Equities	47	
Active	19	Split one third MSCI World and two thirds MSCI World (NDR) due to different manager benchmarks
Passive	28	FTSE Developed World
Bonds	30	
Corporate Bonds	6	iBoxx Sterling Non-gilts
Index-Linked Gilts	15	FTSE UK Index-Linked over 5 years
Gilts	3	FTSE UK Gilts All Stock
Absolute Return	6	3 Month GBP LIBOR
Property	10	IPD Index
Private Equity	5	MSCI AC World ex UK
FoHF	8	3 Month LIBOR
Total	100	

Over the next few years the property allocation with CB Richard Ellis will be distributed back to the Fund. Proceeds will either be re-invested into property or allocated within the existing assets of the Fund.

6. Risk

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

6.2 The operational risk to the Fund is minimised by:

- The use of a regulated, external, third party, professional custodian for custody of assets.
- Having formal contractual arrangements with investment managers.
- Having access to the internal audit service of Powys County Council.
- The activities of the Fund Managers being governed by detailed Investment Management Agreements. Fund Managers are expected to have regards to these principles and legislative requirements, in particular the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009 No.3093)
- Having formal agreements in place with admitted bodies.

6.3 The investment risks to the fund are managed by:

- Diversification of types of investment
- Diversification of investment managers
- The setting of a Fund-specific benchmark informed by Asset-Liability modelling of liabilities.
- The appointment of independent professional advisors
- The appointed expert Fund Managers being given clear performance benchmarks and maximum accountability for performance against those benchmarks over appropriate time-scales.
- Fund Managers being required to implement appropriate risk management measures and to operate in such a manner that will ensure the likelihood of not achieving the performance target is kept within defined acceptable limits.

6.4 Fund managers are permitted to use authorised financial instruments in appropriate circumstances following prior discussion and approval. Approval will not be withheld without clear justification.

6.5 Statistics for measuring the performance of the Fund are provided by the WM Company on a quarterly, annual and 3, 5 and 10-year basis to allow regular monitoring against the prescribed benchmarks and against peer groups.

- 6.6 The Fund Managers are required to produce a quarterly investment report and to attend Pension and Investment Committee meetings as appropriate.
- 6.7 The independent investment adviser who attends each Pensions and Investment Committee meeting produces a separate report on investment performance quarterly, based on performance calculated by WM Performance Services. WM provide a performance measurement service of the Fund.
- 6.8 The Pensions and Investment Committee regularly monitors the investment performance of the Fund in both absolute terms and against the specific benchmarks set. A review of overall, or asset class specific benchmarks, will be undertaken if the Pensions and Investment Committee considers it appropriate.
- 6.9 The County Council requires the investment managers to provide details of the commission payments they receive on asset transactions (including soft commissions if applicable) and how they assess their overall trading efficiency. By discussing these matters with the investment managers, the County Council seeks to gain a full understanding of the transaction-related costs that the Fund incurs, and to understand the options open to the County Council in relation to those costs.
- 6.10 Appropriate performance data will be included in the annual report and statement of accounts for the Pension Fund and in the annual members' newsletter.

7. The expected return on investments

- 7.1 The Fund Managers have been given specific performance targets measured against the index return in the relevant asset class. The County Council recognises that these targets will not be met in all periods under consideration, but expects that the Managers will meet them in the vast majority of periods under consideration.
- 7.2 The performance targets for the Fund managers are shown in the table below:

Investment Manager	Mandate	Benchmark	Objective
Aberdeen	Global Equity	MSCI World	To outperform the benchmark by 3% p.a. (gross of fees) over rolling 3 year periods
MFS	Global Equity	MSCI World (NDR)	To outperform the MSCI World Index over full market cycles while maintaining a consistent style discipline
Schroders	Global Equity	MSCI World (NDR)	To outperform the MSCI World Index by 3-4% p.a. over a market cycle
Barclays Global Investors	Balanced	Composite benchmark	To track the benchmark
Aviva Investors	UK Property	IPD/PPFI All Balanced Funds Medium Index	To outperform the benchmark by 1% p.a. over rolling 3 year periods.
CB Richard Ellis	European Property	UK Retails Price Index (The IPD UK Pooled Property Index will also be used for comparison purposes)	Provide investors with a return of 8-10% p.a., net of fees and expenses.

Investment Manager	Mandate	Benchmark	Objective
Insight Asset Management	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Maturities Index	To outperform the benchmark by 0.75% p.a. net of fees
Insight Asset Management	Absolute Return Bonds	3 month GBP LIBOR	To outperform the benchmark by 2% gross of fees
Standard Life Investment	Private Equity (European)	MSCI World	To outperform the benchmark by 5% pa over a rolling three year period.
HarbourVest Partners	Private Equity (US)	MSCI World	No stated objective, just to produce returns which place HarbourVest in the top quartile in the industry
Goldman Sachs	Hedge Fund of Funds	3 month USD LIBOR	To outperform the benchmark by 4 – 9% p.a. net of fees.
Fauchier Partners	Hedge Fund of Funds	3 month GBP LIBOR	To outperform the benchmark by 5% p.a. over a rolling five year period by investing in a diversified portfolio of hedge funds.
GAM	Hedge Fund of Funds	3 month GBP LIBOR	To achieve an absolute return of 8-13% p.a. over the long term.

7.3 The managers' benchmarks are based on market indices. The indices used were considered in consultation with the investment adviser and investment managers and carefully chosen with regard to their strategic suitability. The limits on the levels of divergence from these indices set out in the investment mandates were chosen with regard to the investment managers' overall performance objectives.

8. The realisation of investments

8.1 General investment principles require that issues of liquidity and marketability be considered in making any investment decision. Current employer and employee contributions are expected to broadly match or exceed pension income. Thus it is not expected that there will be any need to realise investments in the near future other than to seek higher returns.

8.2.1 The vast majority of the Pension Fund's assets are readily marketable. However some investments, such as property and private equity, are less easy to realise in a timely manner. This relative illiquidity is not considered to have any significant adverse consequences for the fund.

8.3 The Council would inform the appointed external fund managers of any projected need to withdraw funds in order to enable the fund managers to plan an orderly realisation of assets if this proves necessary.

9. Socially Responsible Investment

9.1 The County Council has delegated responsibility for the selection, retention and realisation of investments to the investment managers.

9.2 The County Council's policy is to invest part of the Fund's assets on a passive basis. The County Council does not consider it appropriate for a passive investment manager to take account of social, environmental or ethical considerations in the selection, retention and realisation of investments.

9.3 The County Council's policy in respect of the actively managed portion of the Fund's assets is that the extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments is left to the discretion of the active investment managers. However the County Council expects that the active investment managers in the exercise of their delegated duties will take the extent to which social, environmental or ethical issues may have a financial impact on the portfolio into account.

10. The exercise of the rights attaching to investments

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

11. Corporate Governance

11.1 The County Council supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its Fund Managers who exercise its voting rights. Votes are cast by proxy. Each Fund Manager is required to report its actions on a quarterly basis.

12. Stock lending

12.1 The Fund, custodian or investment managers do not engage in stock lending on behalf of the Fund.

13. Monitoring and Implementing of Investment Policy

13.1 Monitoring and Review

13.1.1 The Committee will meet on a quarterly basis with the Investment Advisors to review and discuss the operation of each Investment Manager's portfolio, including past and future policy decisions. The performance of the Investment Managers will be monitored by the Committee on a quarterly basis at the Investment Committee meetings.

13.1.2 The Committee, in conjunction with the Investment Consultant, will review the allocation of assets between the passive and specialist portfolios, property and other asset classes.

13.1.3 The appointments of the Investment Managers will be subject to review at the meeting held to consider the performance results from the designated provider. The review will be based on the monitoring of the Investment Managers' processes as well as their performance.

13.1.4 The Investment Managers' appointments, whilst subject to annual monitoring, would generally be reviewed over rolling 3 year periods, in line with their performance benchmarks.

13.1.5 If an Investment manager performance prompts concerns then the Committee may ask the manager to come to a meeting for a special review meeting.

Appendix A

Principles for Institutional Investment Decision Making

Compliance with CIPFA Principles for Investment Decision Making in LGPS

Compliance with CIPFA Principles for Investment Decision Making in LGPS

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

Appendix B

Background to Medium Term Asset Allocation

Philosophy

The Committee recognises that it is possible to take advantage of excessive over/under valuations of markets in order to target additional returns. The Committee in conjunction with the Investment Consultants seek to identify opportunities to allocate investments away from the strategic benchmark that are designed to add additional return relative to the benchmark return over the medium term (around 1 to 3 years).

Process

A thorough fundamental analysis of economics and financial markets is carried out to identify and incorporate general investor expectations into views of the different markets. In particular, attention is paid to establishing consensus views and profit is taken from positions which differ from the consensus. A range of appropriate timing indicators are utilised in order to achieve the best entry and exit levels to and from asset classes.

In terms of the practical application, once an opportunity has been identified the Fund's Investment Consultant will notify the Investment Committee. The Investment Committee decides whether to pursue the opportunity and if so will work with the Investment Consultant to complete any necessary asset transitions. The Investment Consultants liaise with the Investment Managers and follow each transaction as it happens to make sure each trade goes through smoothly.

Risk management

Considerable lengths are taken to assess what correlations are likely to be in the future so as to ensure asset allocation views are truly diversified. The style of the MTAA project is to have a limited number of meaningful positions rather than either a small number of large positions or a large number of small positions. The overall objective is to achieve an additional return of 0.5% p.a. of assets involved in the MTAA project. The Investment Consultant will provide regular reporting to the Investment Committee.

APPENDIX 6 - GOVERNANCE STATEMENT

Pension and Investment Committee

1. Composition.

- 1.1 The Council will appoint 5 Members of the Council to the Pension and Investment Committee to achieve as far as reasonably practicable a political balance on the committee. The Committee will then co-opt two non-voting members, one staff representative nominated by the Trades Unions and one representative nominated by the Outside Bodies Employers.
- 1.2 The Council shall appoint the Chair of the Committee at the Annual Meeting, and shall fill any vacancy between Annual Meetings at an ordinary meeting. The Chair of the Committee is entitled to a special responsibility allowance.

SECTION 1.

The Governance Policy Statement for the Powys County Council Pension Fund

1. Overall Constitutional Arrangements.

- 1.1 The Powys County Council Pension Fund is a local government pension fund. The prime legislation governing the fund is the Superannuation Act 1972 and regulations made there-under.
- 1.2 Powys County Council is the administering authority for the Powys County Council Pension Fund. The governance arrangements of the County Council (including the Constitution, Financial Regulations and Contract Standing Orders) apply to the management of the Pension Fund.

2. Scheme of Delegation.

- 2.1 The County Council will appoint the members of the Pension and Investment Committee. The Committee will consist of 7 members.
- 2.2 The Pension and Investment Committee will meet once every 3 months with special meetings and training workshops as necessary.
- 2.3 The Pension and Investment Committee will be advised by the Council's Investment Adviser (currently Aon Hewitt) and the Council's Actuary (currently Aon Hewitt).
- 2.4 Members of the Pension and Investment Committee will be required to undertake at least 10 hours training and demonstrate competency in accordance with Section 4 of this Appendix.

3. Consultation

- 3.1 The Pension and Investment Committee will engage with stakeholders through the following:
 - At least annually the committee will invite outside bodies to a meeting.
 - A triennial meeting between contributing employers and the actuary to discuss the results of the actuarial valuation.
 - Annual benefit statements are sent to all members annually.

4. Review of the Governance Policy Statement

- 4.1 In line with the Regulations, this Statement will be revised and published by the Administering Authority following any material change in the governance policy.

5. Contacts

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

David Powell,
Strategic Director – Resources,
Powys County Council,
County Hall,
Llandrindod Wells,
Powys
LD1 5LG

SECTION 2.

Terms of Reference

Pension Administration Functions

- To appoint the Fund's Actuary;
- To receive the triennial actuarial valuation and such other valuations that may arise from time to time and set employers' contribution rates arising there-from.
- To manage, monitor and review the overall arrangements for the administration of the Local Government Pension Scheme (LGPS).
- To respond to consultations in respect of the LGPS.
- To undertake the following functions of the LGPS:
 - To act as Scheme Trustees in relation to the Powys County Council Additional Voluntary Contributions (AVC) Scheme
 - To exercise the discretionary powers available to an administering authority under the provisions of the LGPS regulations
 - To develop, publish and review policies as required by the LGPS regulations.

Investment Functions

- To determine long-term investment policy.
- To approve the Council's Funding Strategy Statement and Statement of Investment Principles.
- To review the fund's investment structure at least triennially, having regard to the Fund's liabilities and the advice of the Fund's Investment Adviser and the Section 151 Officer.
- To appoint and dismiss investment managers, consultants and advisers.
- To review investment performance at least once every 3 months.
- To appoint the Fund's custodian for its assets and to periodically review custody arrangements.
- To appoint the Performance Measurement Service for the fund.

General

- To approve the annual business plan, Statement of Investment Principles and Governance Compliance Statement.
- Assess and approve the annual pension fund accounts, external audit opinion and management representation in relation to annual audit findings.
- To receive internal audit reports on Pension Fund matters.
- Meetings are open to the public except for exempt and confidential items as defined by the Local Government Act 1972. Copies of reports and minutes are available on the Council's website.

SECTION 3.

Functions Delegated to the Section 151 Officer

Pension Administration Functions

- To manage the administration of LGPS.
- To undertake the following functions of the LGPS:
 - Award of Death Grants in accordance with the Council's agreed policy.
 - Ensure compliance with the Pensions Act 1995
 - Ensure compliance with the Finance Acts 2004 and 2005, in particular the meeting of HMRC Reporting Requirements
 - Provide active and deferred members of the Scheme with Annual benefit Statements;
 - Manage, monitor and review arrangements in respect of the scheme's internal dispute resolution procedure.

Investment Functions

- To undertake regular monitoring and reconciliation of investments and to report matters of significance to the Pensions and Investment Committee.
- To undertake tendering exercises for Fund services and Investment Managers in accordance with the Council's overall governance arrangements and the Pension and Investment Committee's instructions and to present the Committee with shortlists for appointment.

General

- To produce the Fund's Annual Accounts in accordance with proper practice.
- To authorise, within limits, expenditure from the Fund.
- To authorise cash or asset movements between the Council, the Fund, custodian and investment managers.
- When necessary, the exercise of the Fund's voting rights by instruction to the investment managers and custodian, after consultation with the Chairman and Vice-Chairman of the Pension and Investment Committee.
- The Pension and Investment Committee has delegated the use of the voting rights attached to its shareholdings to the investment managers but retains a right to exercise those rights on its own account in exceptional circumstances.
- The Section 151 officer may authorise officers in his / her service to exercise, on his / her behalf, functions delegated to him / her. Any decisions taken under this authority shall remain the responsibility of the Section 151 Officer and must be taken in his / her name and he / she shall remain accountable and responsible for such decisions.

SECTION 4.

Trustee Training Plan

Members of the Pension and Investment Committee will be expected to develop the following proficiencies.

To be achieved within 12 months of appointment to the Committee:

- Understanding of the role of the Committee and the quasi-trustee role of its Members.
- A basic understanding of the Local Government Pension Scheme (LGPS), to include;
 - the scheme's benefits;
 - the discretionary powers available to an administering authority
 - the scheme's funding, including the Actuarial valuation;
 - the roles of the administering authority, scheduled and admitted employers.
- A basic understanding of the roles of the following:
 - The Section 151 Officer;
 - The Investment Adviser;
 - The Actuary;
 - The Investment Managers;
 - The Custodian;
 - The Investment Measurement Service.
- A basic understanding of the relationship between the Fund's assets and liabilities, including the Funding Strategy Statement.
- A basic understanding of the investments of the Fund and the use of benchmarks to measure performance, including the Statement of Investment Principles.

Thereafter, Committee Members will be expected to undertake training to develop their competencies in the above areas and to remain abreast of relevant developments in the LGPS and investment opportunities. Members will need to demonstrate that they have completed at least 10 hours training and development per annum and a record will be kept for this purpose. A budget will be available to facilitate training.

Training may take the following forms:

- External courses, conferences and seminars;
- Internal courses and sessions facilitated by Council officers, advisers to the Fund and Investment Managers;
- Reading relevant literature.

If Members do not meet the training requirements, this will be referred to the County Council.

GLOSSARY OF TERMS

Accrual

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

Actuary

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

Actuarial Valuation

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

Additional Voluntary Contributions

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

Admitted Bodies

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

Audit

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

Balance Sheet

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

Contingent Liabilities

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

Creditor

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

Current Asset

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

Current Liabilities

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

Current Service Costs (Pension)

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

Debtor

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

Equities - Pooled

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

Financial Reporting Standards (FRS's)

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

Financial Year

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

Gilt Edged Stocks

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

Liability

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

Past Service Costs (Pension)

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

GLOSSARY OF TERMS

<p>Post Balance Sheet Events</p> <p>Post Balance Sheet events are items that have arisen after the Balance Sheet date. The items did not occur at the time the Balance Sheet was prepared but have subsequently been discovered. To give a fair representation they may need to be disclosed.</p>	<p>Securities</p> <p>These are investments such as stocks and bonds.</p>
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