



**TORFAEN
COUNTY
BOROUGH**



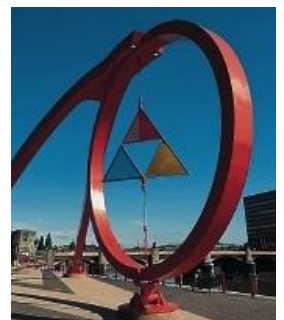
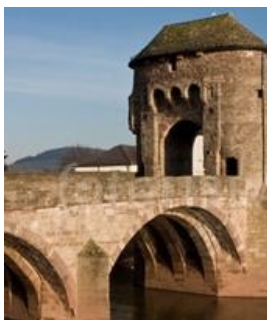
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Greater Gwent (Torfaen) Pension Fund Annual Report & Accounts

Cronfa Bensiwn Gwent Fwyaf (Torfaen) Adroddiad Blynyddol a Chyfrifon

2021/2022

Nigel Aurelius, CPFA
Assistant Chief Executive Resources



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STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS

The Council's responsibilities as Administering Authority

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Assistant Chief Executive (Resources);
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- approve the Pension Fund accounts.

The Assistant Chief Executive (Resources)'s Responsibilities

The Assistant Chief Executive (Resources) is responsible for the preparation of the Pension Fund accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Pension Fund accounts, the Assistant Chief Executive (Resources) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Assistant Chief Executive (Resources) has also:

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

The Assistant Chief Executive (Resources)'s Certificate

I certify that the Pension Fund accounts give a true and fair view of the financial position of the Greater Gwent (Torfaen) Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2022.

Signed by:



Nigel Aurelius, CPFA
Assistant Chief Executive (Resources)
Date: 21 November 2022

CHAIR'S INTRODUCTION



Chair of Pensions Committee
Councillor Glyn Caron

Welcome to the Annual Report and Accounts of the Greater Gwent (Torfaen) Pension Fund. It is my pleasure to present, on behalf of my fellow members, the Annual Report for 2021/22.

The Pensions Committee is responsible for overseeing the management of the Pension Fund, including investment and administration. Whilst the subject of pensions may not always be the hot topic of conversation, for those working in the area it is ever changing, increasingly challenging and never ceases to provide surprise and uncertainty. This year has been no exception.

During the year the value of the Pension Fund increased by £211million to £3,768million, an increase of over 5.9% on the prior year position which is well ahead of long-term expectations. The year had been following a very similar path experienced during 2020/21 in terms of positive investment performance. However, the emergence of geopolitical and macro events such as the Russian invasion of the Ukraine and the escalating cost of living crisis closer to home caused spikes in market volatility during the first quarter of 2022, leading to a more volatile and negative end to the reporting period.

Away from investments, this year saw a whole host of consultation between legislators and practitioners, including the Pension Dashboard Programme, Cost Control Mechanism, and Pension Scams. Further legislative changes were also introduced in 2021/2022 through the Occupational and Personal Pension Schemes (Condition for Transfer) Regulations. These took effect from 30th November 2021 and set out additional checks that pension scheme must take before paying a transfer value to a new scheme.

Wales Pension Partnership (WPP)

The Pension Fund, via the Pensions Committee, continues to work very closely with the WPP to gain efficiencies through pooling of investment assets. During the year a further £75million of assets were transitioned into the WPP's Emerging Market equity sub-fund offering and the UK equity sub-fund existing investment was topped up by £50million, resulting in a year-end pooling allocation of 43.4% of total assets. In addition, a further 25% of assets are pooled through passive holdings under the All Wales Pooling Collaboration, a collective arrangement pre-dating the pooling initiative.

Aside from the transition of assets, the Pensions Committee has also contributed towards the WPP's commitment to improving governance and transparency during the year by supporting the inclusion of a Scheme Member Representative (SMR) on the Joint Governance Committee (JGC). In addition, the review and development of Conflicts of Interest, Climate Risk, Risk Register, Training and Proxy Voting Policies have all taken place. The forward-looking work plan for both the Fund and the WPP during 2022/23 will be to develop investable private market investment opportunities with a key focus on achieving the Government's target of investing up to 5% of Fund assets in local infrastructure impact opportunities.

Responsible Investment

As both a local Councillor and Executive Member of the Local Authority Pension Fund Forum (LAPFF), I am fully appreciative of the need to balance the fiduciary duty of the Pension Fund with that of a responsible investor. The Fund has continued to meet regularly to discuss Responsible Investment (RI) matters and as a result of this work the Pensions Committee agreed to put in place further measures to reduce the carbon footprint of the WPP equity mandates in which the Pension Fund invests. During the year the Fund continued to call on the internal Responsible Investor Working Group (RIWG) as an effective forum for considering RI matters. During the year the group carried out a detailed review of the Fund's existing RI policy and, following participation in a number of workshop training sessions, proposed a number of changes to the Committee as part of a detailed policy review which were subsequently approved in March 2022.

The Fund also supported the WPP during the year in their application to the Financial Reporting Council for UK Stewardship Code signatory status. As a signatory, the WPP joins a number of passionate and committed asset owners and managers striving to improve investment stewardship on behalf of all stakeholder beneficiaries throughout Wales.

I am delighted to have the opportunity to introduce this year's Annual Report and would like to thank my fellow Committee members for their contributions during 2021/22.

CHIEF OFFICER'S INTRODUCTION



Assistant Chief Executive (Resources)
Nigel Aurelius

I'm delighted to present the Greater Gwent (Torfaen) Pension Fund's annual report 2021/22. We continue to face significant and unpredictable challenges and it is our responsibility as a Pension Fund to offer stability to our scheme members and employers.

At the time of writing, the conflict in Ukraine is continuing. Our thoughts are with those directly affected and we hope for a speedy resolution. More widely, the conflict has exacerbated the availability and supply of essential goods and services, which, coupled with the post covid-19 supply problems, has seen inflation reach generational highs and a cost-of-living crisis emerge. As a Pension Fund we are limited in our ability to address these problems, but we are focused on delivering our investment strategy which we believe will be in the best interests of our beneficiaries and society more generally in the long-term.

During the year, we have focused on our responsible investment objectives which has included a second commitment to a British strategic infrastructure fund following our initial commitment during 2020/21. This investment opportunity presents numerous environmental and social benefits to our members, beneficiaries, and society as a whole. In addition, the Pensions Committee carried out a detailed review of the Fund's existing responsible investment policy and published a revised version in March 2022. We continue to work with our Welsh colleagues through the Wales Pension Partnership (WPP) to further establish our voting and engagement activity as well as our climate metric reporting capabilities. In March 2022, the WPP successfully became a signatory to the UK Stewardship Code, signifying clear intent that Wales takes its stewardship responsibilities seriously.

Pension Fund Annual Report 2021/2022

Despite the global macroeconomic and geopolitical challenges referred to above, the Fund delivered another positive period of performance during 2021/22 returning +5.96% or £211million in cash terms. Significant steps have been taken by the WPP to produce an investment offering during the year which will inevitably assist the Fund in delivering on its long-term investment strategy. In addition, a further £125million has transitioned into the pool during the year, taking the totalled value of pooled investments to £2.6billion or 68.4% of total assets, inclusive of our Low Carbon passive equity exposure. The Fund has a lot of optimism for the WPP and investment pooling in Wales as a tool to assist in the delivery of our investment strategy, both now and long into the future. Further details of investment performance can be found within the Investment Policy and Performance Report.

Membership numbers have again increased during the year by 2.4% to 63,452 as of 31st March 2022. The net effect is that active contributors remain at about 40% of the total fund membership with the balance split fairly equally between pensioners and deferred benefits.

During 2021/22 we launched our new member online system which provides our scheme members with a range of benefits including access to real time estimated pension benefits, key Fund documentation including the annual benefit statement, and the ability to update personal details and nominations instantly. The roll out of this new system has been successful and we now have over 16% of scheme members signed up as of 31st March 2022, with an internal target to further increase this take-up during the year-ahead.

As we've emerged from the Covid-19 pandemic the workload coming into the Pension Fund has continued to increase. Our staff have continued to work diligently to ensure members receive the service that they expect from their scheme provider. As we gradually move into a hybrid way of working, our systems and processes will also continue to evolve. Further details of the administration key performance indicators can be found within the Administration Report.

I would like to acknowledge the commitment and professionalism of all the staff of the Pension Fund for their hard work that ensures we continue to deliver core services for the benefit of our scheme members and employers. As ever, the success of the Pension Fund depends on all of us and I would also like to thank the outgoing Committee for their service to the Fund, and to the Pension Board and our scheme employers for their continued commitment to scheme members.

ANNUAL GOVERNANCE STATEMENT 2021/22

Torfaen County Borough Council ("the Council") has statutory responsibility for administering the Greater Gwent (Torfaen) Pension Fund ("the Fund") on behalf of five local authorities (Torfaen, Newport, Blaenau Gwent, Caerphilly, and Monmouthshire County Councils) as well as 52 other employers in the Gwent region.

The primary responsibility of the Fund is to provide retirement and death benefits for Local Government employees and those employed in similar or related bodies. In addition, the Fund is responsible for administering scheme benefits and managing its investment assets.

Scope of responsibility

As administering authority of the Fund, the Council is responsible for ensuring that its business in managing Fund activity is conducted in accordance with the law and appropriate standards. In accordance with Part 2 (Administration) Regulation 55 and Part 3 (Governance) Regulation 106 of LGPS Regulations 2013, the Fund is required to prepare a written statement setting out the governance arrangements in place.

In discharging these responsibilities, elected members, senior officers and external advisors are responsible for implementing effective arrangements for governing the affairs of the Fund which extends to appropriate risk management. The Pensions Committee as elected members of the Council are delegated responsibility for overseeing the administration of the Fund.

The Fund has adopted the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework which ensures the delivery of good governance in Local Government. This statement explains how the Fund has complied with this framework and how it meets the CIPFA Code of Practice on Local Authority Accounting in the UK.

Governance arrangements

The governance arrangements detailed within this statement apply equally to the Fund as they do the Council and are appropriately detailed within the Council's Annual Governance Statement which can be accessed here:

<https://www.torfaen.gov.uk/en/Related-Documents/Council-Governance/Annual-Governance-Statement.pdf>

In addition, there are specific requirements for the Fund which are detailed within several key policy documents, all of which can be accessed via the Fund website:

[Forms and Publications | Greater Gwent \(Torfaen\) Pension Fund \(gwentpensionfund.co.uk\)](#)

1. Governance Compliance Statement
2. Funding Strategy Statement
3. Investment Strategy Statement
4. Communications Policy
5. Risk Register/Policy

Furthermore, other aspects of the governance arrangements specifically relating to the Fund include:

- The roles and responsibilities of the Pensions Committee and Local Pension Board operating within the Council's constitutional framework.
- A systemic approach to monitoring performance by the Pensions Committee, Local Pension Board which is independently chaired, Independent Advisors and Senior Officers.
- An appropriate level of oversight relating to the Wales Pension Partnership (WPP) pooling arrangements.

- The responsibility of Pensions Committee, Local Pension Board, Officers, and Independent Advisors to regularly consider, scrutinise and challenge the risk framework.
- A structured training programme to ensure Pensions Committee and Local Pension Board members have the required standard of knowledge and understanding of the Local Government Pension Scheme (LGPS) to discharge their duties effectively.
- All investment assets, including assets pooled with the WPP, being under the custodial arrangements of a globally recognised Custodian with appropriate expertise, resources, and a substantial internal control framework.
- Being subject to internal audit review in accordance with the Council's internal audit work plan as agreed by the Audit and Governance Committee each year.
- A review of third-party assurance reports on an annual basis which are prepared in accordance with appropriate standards and identify internal processes and procedures as well as details of the audit testing performed during the year. The reports are reviewed by officers and are used to gain assurance that all third-party internal controls are sufficient and are operating effectively.

A significant aspect of the governance framework is the system of internal controls which is based on an ongoing process of identifying, prioritising, and managing risks in accordance with the Council's objectives. This includes objectives specifically relevant to the Fund.

Review of effectiveness of governance framework

The Pensions Committee is responsible for ensuring the effectiveness of the governance framework and system of internal control in which the Fund operates. Supported by the Local Pension Board in their oversight capacity, the Committee, in discharging the responsibilities of the Council, relies on the assurances of officers, financial monitoring and other reports, as well as the work of internal and external audit.

The Fund maintains and reviews its Governance Policy and Compliance Statement as part of its year-end reporting activity. The review of this policy measures the extent to which the Fund's governance arrangements comply with CIPFA requirements and the SOLACE framework.

Internal Audit Opinion

The Fund utilises the Council's internal audit services and is subject to audit in accordance with the agreed annual plan. During 2021/22, the Fund was not subject to an internal audit.

Based on the audit work undertaken during the period, full (absolute) assurance was provided by the Head of Audit and Procurement, indicating that the internal control environment was sound and designed to achieve system objectives with no evidence of controls being inconsistently applied or operating unsatisfactorily.

Where recommendations have been made for further improvement following the outcome of an audit, subsequent progress reports have been issued to Local Pension Board and Pensions Committee members for information and comment in their respective roles of oversight of governance, and steps have been taken to implement recommendations accordingly.

Update on significant governance issues previously reported

There were no significant governance issues reported in 2020/21 relating specifically to the Fund.

Member approval and publication dates

The Fund is required to prepare and publish its annual report in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013 (England and Wales).

Pension Fund Annual Report 2021/2022

Following the conclusion of the audit process, the Pension Fund annual report and financial statements are considered by the Audit and Governance Committee as those charged with governance, followed by the Pensions Committee for their approval. The Pensions Committee Chair and Council's section 151 officer will also sign the letter of representation following approval by Pensions Committee.

The audited annual report is published on both the Fund and Council websites by 1st December each year in accordance with statutory deadlines.

Certification

Based on the audit work undertaken by internal audit on behalf of the Fund, and the assurances provided by the Assistant Chief Executive Resources and the Head of Pensions, reasonable assurance can be placed on the adequacy and effectiveness of the governance and internal control environment in operation during 2021/22.

Nigel Aurelius

Assistant Chief Executive (Resources) / Section 151 Officer

Alexander Bull

Head of Pension Fund Management & Investment

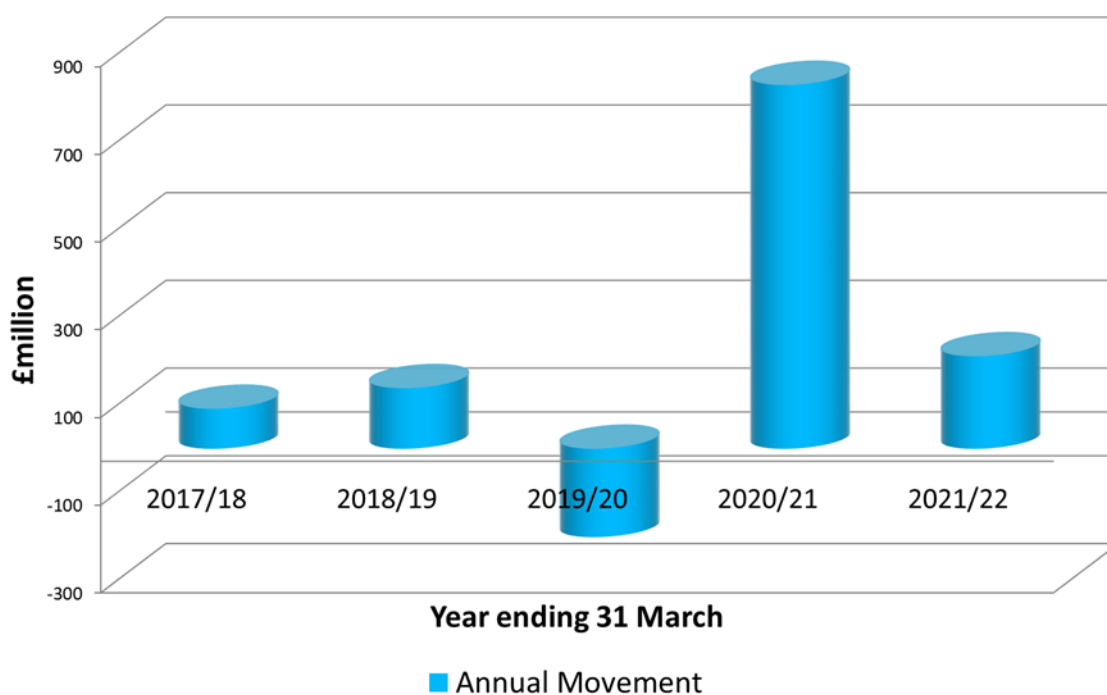
Pension Fund Annual Report 2021/2022

OVERVIEW

1. 2021/2022 in summary

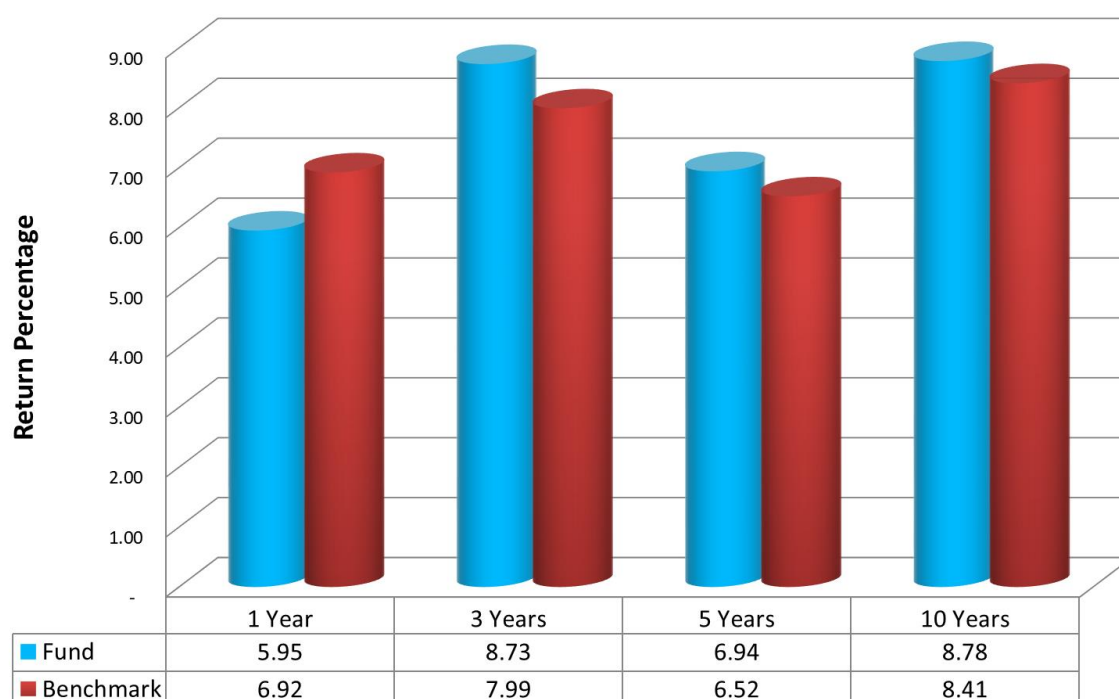
Total Scheme Members	Net Assets of the Fund	Payments to Pensioners	Total Contributions
63,452	£3.8bn	£132.359m	£136.924m

Annual Movement in the Net Assets of the Fund

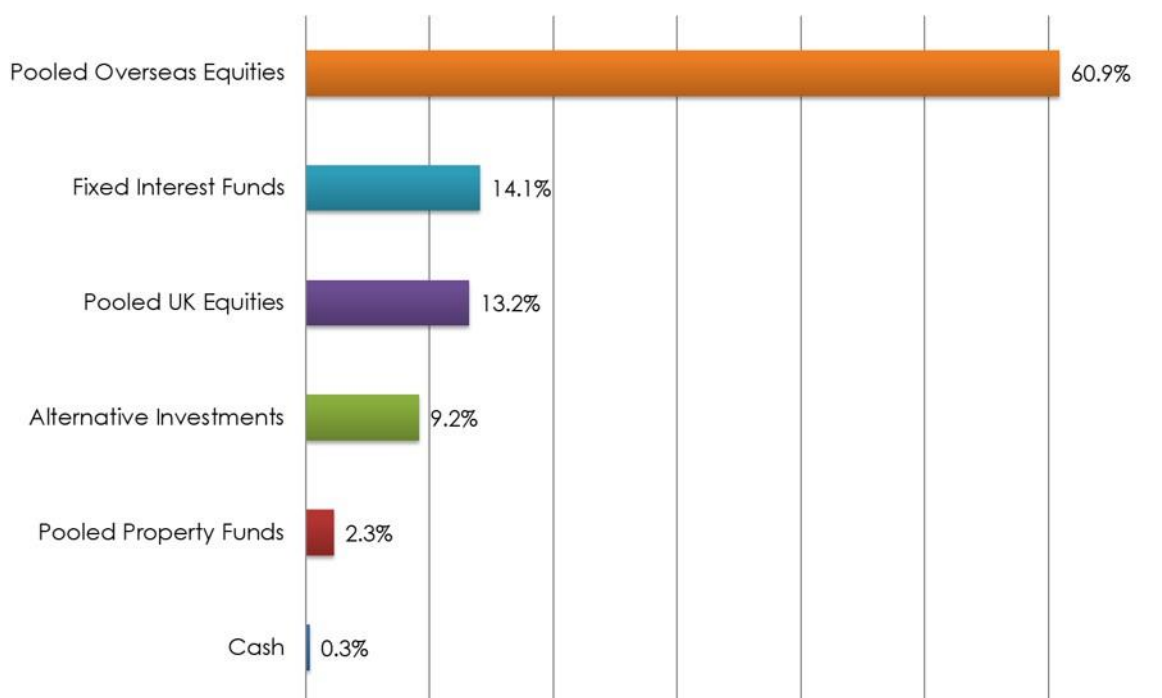


2. Investments

Periodic Performance to 31 March 2022



Portfolio distribution as at 31 March 2022



3. Membership

Contributing Members

25,015

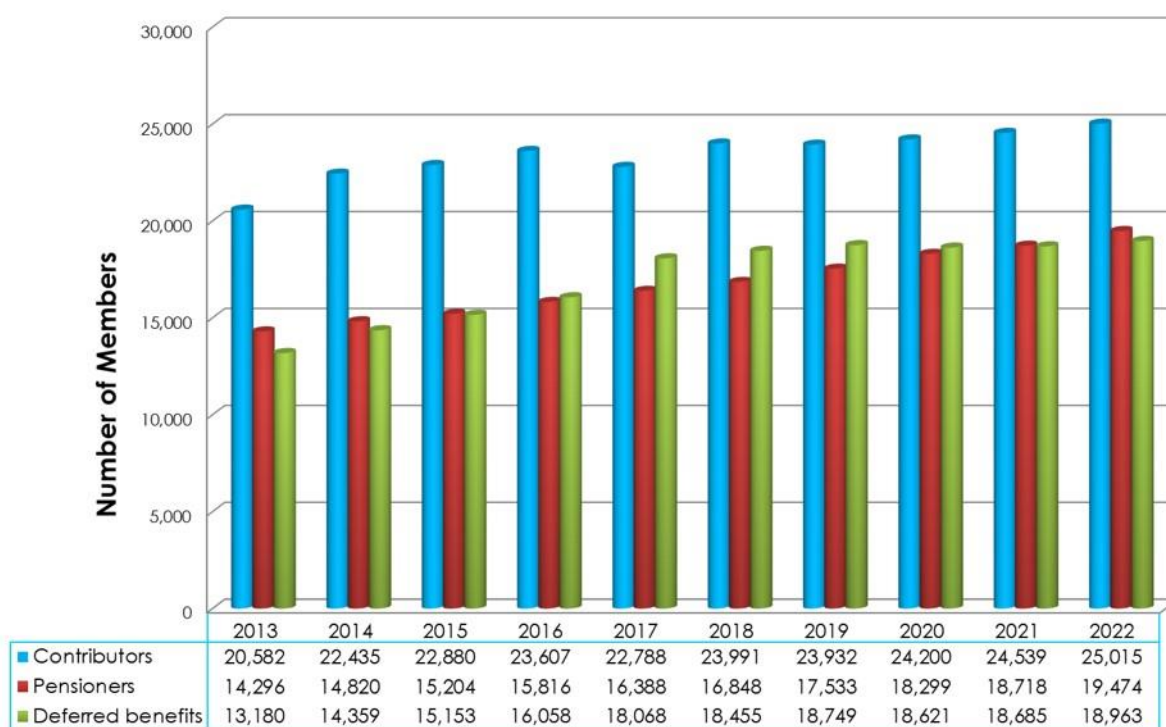
Members in Receipt of Pension

19,474

Members with Deferred Benefits

18,963

Split of Fund Membership as at 31 March



OVERSIGHT AND GOVERNANCE

1. Scheme management and advisors

- 1.1 The Greater Gwent (Torfaen) Pension Fund is administered in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) (The 2013 Regulations), and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) (The Transitional Regulations). It is the appropriate occupational pension scheme for employees of local authorities in the Greater Gwent area with the exception of teachers and lecturers, who have a separate scheme which applies to them. In addition, the employees of certain bodies providing public services are admitted to the Fund. Details of the authorities covered by the scheme are given on page 66.
- 1.2 Torfaen County Borough Council has established a Pensions Committee to discharge the duties of the Council as Administering Authority of the Fund. The Pensions Committee operates within the Council's constitutional arrangements.
- 1.3 This committee deals with all matters relating to the Fund. As at 31 March 2022 the membership of the Pensions Committee, together with advisors and dedicated internal officers for the Fund are as follows: -

Chair

Councillor Glyn Caron

Committee Members

Councillor Huw Bevan
Councillor Ron Burnett
Councillor Veronica Crick JP
Councillor Jon Horlor
Councillor Peter Jones

Administrator

Nigel Aurelius, Assistant Chief Executive (Resources)



Head of Pensions

Alexander Bull
Tel: 01495 742626
E-mail: alexander.bull@torfaen.gov.uk



Pension Manager

Joanne Griffiths
Tel: 01495 766280
E-mail: joanne.griffiths@torfaen.gov.uk

External Investment Advisors

Aoifinn Devitt, Independent Consultant
Elizabeth Carey CFA, Independent Consultant

Consulting Actuary

Hymans Robertson (Douglas Green)

Solicitor and Legal Advisor to the Fund

Tim James, Chief Legal Officer
Delyth Harries, Monitoring Officer and Assistant Chief Legal Officer

Investment Fund Managers

BlackRock
Fidelity Worldwide Investment
Invesco Perpetual
Aberdeen Standard Investments
Russell Investments
Gresham House

Fund Custodian

Northern Trust

Wales Pension Partnership FCA Authorised Operator

Link Fund Solutions

Wales Pension Partnership Investment Management and Advisory Services

Russell Investments
Hymans Robertson (Oversight & Governance Advisor)
Burgess Salmon (Legal Advisor)
Robeco Institutional Asset Management B.V. (Voting & Engagement Provider)

Fund Auditor as at 31 March 2022

Audit Wales

Bankers to the Fund as at 31 March 2022

Lloyds Bank
1 Gwent Square
New Town Centre
Cwmbran, South Wales
NP44 1XN

AVC Providers to the Fund as at 31 March 2022

Standard Life
Clerical Medical
Utmost Life and Pensions (previously Equitable Life)

If you need more information you can write to: -

Pensions Section
Torfaen County Borough Council
Civic Centre
Pontypool
Torfaen NP4 6YB

Or visit the website: -

www.gwentpensionfund.co.uk

2. Local Pension Board Annual Report

This section constitutes the Annual Report of the Local Pension Board 2021/22 and was agreed by the Pension Board on 27 April 2022.

2.1 Background

- The Local Pension Board was constituted under the Public Service Pensions Act 2013 and held its first meeting, as required under the Act, by 31 July 2015. It was established in the interests of the Pension Fund, by the Council as Administering Authority, and operates independently of the Pensions Committee.
- The Local Pension Board operates in accordance with the Terms of Reference (ToR) and consists of five representatives of the scheme employers and five representatives of scheme members. In addition, it has a non-voting Independent Chair.

2.2 Functions and Operation of the Board

- The two primary functions of a Local Pension Board are to assist the Administering Authority to:
 - i) Ensure effective and efficient governance and administration of the LGPS
 - ii) Ensure compliance with relevant laws and regulations
- The Local Pension Board has a monitoring, assisting, and reviewing purpose, rather than being a decision-making body. It could be seen as being a critical friend. As such, their general approach is to seek assurances, with evidence provided by officers and from other sources, that the Pension Fund is meeting its objectives, producing all required statements, and adequately managing risks.
- In so doing, the Local Pension Board is helping to manage the reputational risk of the Pension Fund, and of the Administering Authority, which is under the regulatory responsibility of the Department for Levelling Up, Housing and Communities (DLUHC), the Pensions Regulator (TPR) and the LGPS Scheme Advisory Board (SAB).
- The terms of reference in which the Local Pension Board operates is fit for purpose, consistent with the legislative and regulatory requirements, and fully compliant with the Pensions Regulator's Code of Practice 14.

2.3 Detailed Work of the Board

i) Overview

Since its inception the Local Pension Board has become increasingly visible, as have the expectations placed on them by both the Pensions Regulator (TPR) and the Scheme Advisory Board (SAB).

During 2021/22, the work of the Local Pension Board included:

- **Policy development** - oversight of the development and implementation of new policy documents during the period. These policies were in relation to Conflicts of Interest and Training.
- **Risk Register Review** - review of the current risk reporting framework and made recommendations to management regarding the regularity of review and internal control environment.
- **Internal Audit Input** - consideration of the report of the Head of Internal Audit and Procurement following the conclusion of a detailed audit on the investment oversight function of the Pension Fund.

- **Responsible Investment** - consideration for, and discussions regarding, the Pension Fund's responsible investment approach, including contribution to the Responsible Investor Working Group (RIWG) agenda, review of WPP reporting and input into policy development.
- **Good Governance Review** - oversight of, and the ability to comment on, proposals put forward by the SAB to DLUHC with regards to future governance arrangements within the LGPS.
- **Cyber Security** - receiving regular updates from officers, including cyber security policies, measures, and incidents. Cyber security is now a standing item on agendas with a dedicated cyber risk considered quarterly on the risk register.
- **Breach Reporting** - consideration of a quarterly update regarding Pension Fund breaches, as prepared by officers, for members information and comment.
- **Training** - acknowledgment and promotion of the importance of training to improve knowledge and skills for all members in carrying out their roles and responsibilities. During the year the Local Pension Board has regularly attended a range of training events available including the independent "National Knowledge Assessment" undertaken by Hymans Robertson during December 2021.
- **WPP Oversight** - oversight of developments in respect of pooling arrangements in Wales, including a quarterly review of the WPP Joint Governance Committee papers and minutes, as well as specific agenda items as they relate to the role of the Local Pension Board. This has resulted in calls from the Local Pension Board on the need for further transparency and oversight of WPP activity and decision-making moving forward.

The work of the Local Pension Board is primarily focused on oversight and governance of the pensions administration function which is managed by an in-house team in accordance with TPR's Code of Practice 14. However, since 2020 the focus of the Local Pension Board has increasingly turned towards the anticipated recommendations arising from the 'Good Governance' review commissioned by the SAB on behalf of DLUHC which are expected to be implemented in due course. In addition to this, the Local Pension Board are focused on overseeing the Scheme Manager's implementation of audit recommendations.

ii) Scheme Documents

The Local Pension Board has examined all of the scheme documents which are required to be in place and is satisfied with the content, and arrangements for review, of all documents. However, the Local Pension Board has requested that work be undertaken to produce a Pensions Administration Strategy.

iii) Risk Management and the Risk Register

Following a recommendation from the Local Pension Board in 2016, it was accepted that there were benefits in the production of a risk management policy and risk register specifically for the Pension Fund, rather than it being an integrated part of the policy and risk register of the Council. Officers of the Fund subsequently produced a risk register which was approved by the Pensions Committee and shared with the Pension Board on 20 July 2016.

Following a detailed review of the process in 2019/20, the Pension Board agreed that the risk register should be a standard quarterly item on all future agendas with all active risks being considered at least annually.

iv) Recording and Reporting Breaches

The Local Pension Board and its members have a responsibility to report breaches of law to the TPR. During 2021, the Local Pension Board requested a review of the existing breaches process and asked officers to provide a high-level update of breach details on a quarterly basis. The Local Pension Board has examined the recording and reporting procedures and is satisfied with the system in place.

v) WPP

Operation of the WPP and, in particular, the development of the governance and reporting arrangements, continues to be of key interest. The Local Pension Board aims to continue to make relevant and positive contributions to support the development of the WPP from a governance, compliance, and best practice perspective.

Developments at the WPP during 2021/22 which were kept under review by the Local Pension Board included:

- Oversight of the WPP's annual policy review process
- Launch of the Emerging Market equities sub-fund in October 2021
- Launch of a Private Market Allocator procurement exercise and subsequent appointment process in March 2022
- The appointment of a SMR to the JGC in March 2022

vi) Pensions Committee Agenda and Attendance

At each meeting, the Local Pension Board considers the minutes of the previous Pensions Committee agenda and items for inclusion on its own work plan. This also enables the Pensions Committee to request consideration by, and comments from, the Local Pension Board on any issues.

A reciprocal arrangement between the Pensions Committee and Local Pension Board allows for member attendance at all meetings and members are actively encouraged to attend to observe and ensure appropriate connectivity and oversight of agenda.

2.4 **Pension Fund Budget**

- In 2021/22 the Local Pension Board had an annual budget of £25,000. The travelling and training expenses relating to all members of the Local Pension Board are charged to this budget, as are the fees and expenses of the Independent Chair.
- The Local Pension Board has contained its expenditure within the approved budget having spent approximately £11,100 during 2021/22 and is mindful of delivering value for money having identified means of working in a cost-effective manner.

2.5 **Training**

- The Local Pension Board's ToR requires members to undertake appropriate training, including induction training, on taking up their role.
- The Pension Fund has participated in an independent assessment of training needs via the Hymans Robertson National Knowledge Assessment (NKA) which has identified areas of collective strength and weaknesses of members and provided a recommended training programme for future development.
- During 2021/22, the Local Pension Board worked with officers to develop a training policy applicable to members of the Pensions Committee and Local Pension Board. It was agreed that the training policy should be reviewed on an annual basis and reflect the training needs and requirements of members following the independent NKA.
- During 2021/22, members were encouraged to attend a wide range of online seminars, training courses, and webinars which continued to be offered in light of the Covid-19 pandemic. In addition, the return of face-to-face conferences and quarterly WPP training events offered additional variety on a range of pooling topics.

Pension Fund Annual Report 2021/2022

2.6 Workplan

- A Local Pension Board workplan was agreed during 2021/22 and has been kept under review during the year. The workplan covered the following principal areas and evolved during the year in light of prospective developments:
 - Pension Fund annual report and accounts
 - Administration, including key performance indicators (KPI) and data improvement
 - Audit and risk management, including the risk register and cyber risk
 - Governance, including conflicts of interest, recording, and reporting breaches as applicable, compliance with TPR's code of practice and the 'Good Governance' review outcomes
 - Investments, including developments with the WPP pool and implications for the Administering Authority
 - Training
 - Member communications
 - Policy updates and development in accordance with best practice

2.7 Thanks

I wish to thank all of my colleagues on the Local Pension Board, who have volunteered their time and energy to serve on the Board, for their ongoing support.

I would also like to express my thanks to the officers of the Council who have supported the Local Pension Board throughout the last year.

3. Member meeting attendance 2021/22

	Pensions Committee meetings attended	Pension Board meetings attended
Number of meetings during the year 2021/22	5	4
Pensions Committee		
Councillor Glyn Caron (Chair)	5	
Councillor Huw Bevan	4	
Councillor Veronica Crick JP	4	
Councillor Jon Horlor	5	
Councillor Peter Jones	5	
Local Pension Board		
Ian Coleman (Chair)		4
Employee Representatives		
Bob Campbell		4
Ian Reese		3
Anthea Wellington		4
John Wright		4
Employer Representatives		
Steve Harford		2
Rhian Hayden		3
Clive Rogers		1
Meirion Rushworth		1
Jane Waters		4

4. Risk management

4.1 Effective risk management is an essential part of any governance framework as it identifies risks and the actions required to mitigate their potential impact. For the Pension Fund, those risks will come from a range of sources including the long-term investment strategy, the funding position, investment performance, benefits administration, membership changes, communications, and financial systems. Broadly, these can be categorised as either Finance or Investment, Administration or Governance risks. The availability of good information is essential in order to ensure the complete and effective identification of significant risks and the ability to monitor them accordingly.

4.2 The Fund's approach to risk is informed by the Pensions Committee, the Local Pension Board, its advisors, and officers. The Fund's statutory documentation and accounts contain the required sections detailing the Fund's approach to the various types of risks it faces across its operations, together with the ways it looks to mitigate each of these. In particular: -

- The Governance Policy and Compliance Statement reviews the risk areas and mitigation approach within the Fund's management and governance structure.
- The Investment Strategy Statement covers risk measurement and management in an investment sense.
- The Funding Strategy Statement includes a section (prepared in conjunction with the Fund's actuary) on the identification of risks and countermeasures in relation to the Fund's funding position and investment strategy.
- The Pension Fund accounts contain a detailed section on the nature and extent of risks arising from Financial Instruments, including detailed sensitivity analysis of the potential monetary impact to the Fund of the varying financial risks.

In line with best practice, the Pension Fund also maintains a Risk Register which is monitored and reviewed on a regular basis by both the Pensions Committee and Local Pension Board. Risks are assessed in terms of their potential impact should they occur and in terms of the likelihood of them occurring. Each risk is initially scored assuming that no mitigating controls exist and is then scored again on the basis of the mitigation in place. The full Risk Register is publicly available via Committee agenda papers.

4.3 A summary of the Funds most significant risks which have been considered during the 2021/22 financial year are shown in the table below.

Risk Area / Type	Risk Detail	Risk Mitigation Measures
Finance & Investment Risk		
Inappropriate long-term investment strategy	The risk that the Fund fails to meet funding objectives in the long-term to fund pension liabilities	<ul style="list-style-type: none"> • Regular investment performance monitoring • At least a triennial review of the Fund's funding strategy
Failure to deliver investment returns in line with actuarial expectations	The risk that the Fund's funding level could deteriorate in the short-term, increasing the pressure on employer contribution rates to fund pension liabilities	<ul style="list-style-type: none"> • The Fund ensures it continues to invest in a broad and diverse mix of assets across a range of global markets • The Fund challenges the actuarial assumptions recommended to the Fund to ensure it remains prudent in the long-term

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<p>Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns</p>	<p>The WPP fails to deliver long-term investment returns above and beyond what the Fund could have been expected to return had pooling not occurred</p>	<ul style="list-style-type: none"> • Substantial governance arrangements have been established and implemented • The WPP and Constituent Authorities take appropriate professional advice on all investment considerations • Performance monitoring arrangements in place to monitor all portfolios
<p>Inadequate consideration of Environmental, Social and Governance (ESG) risks within the Fund's investments</p>	<p>Failure to incorporate ESG into investment processes as well as broader responsible investment considerations could result in public pressure, political criticism as well as the risk of substantial financial losses as a result of holding stranded assets in the various portfolios</p>	<ul style="list-style-type: none"> • The Fund's Responsible Investment Working Group (RIWG) meets quarterly and considers a broad range of ESG issues and makes recommendations to Pensions Committee accordingly • The Committee has approved and maintains Responsible Investment and Climate Change policies in response to emerging challenges • The WPP provide additional support to the Fund in the form of climate risk reporting, voting and engagement services as well as ESG focused investment opportunities • All future investment decisions will undergo an integral ESG assessment before a decision to proceed is recommended to Pensions Committee
<p>Insufficient Fund cash flow to meet liabilities as they fall due.</p>	<p>Negative cash flow would require the use of investment income to the cost of providing pension benefits rather than being reinvested. There is also the risk of forced selling of assets to meet short-term cash flow needs, potentially in adverse market conditions</p>	<ul style="list-style-type: none"> • The Fund's investment strategy has an allocation of up to 1% of total investment assets held as in-house cash • The Fund's strategy is to hold as much cash as operationally prudent in order to meet day to day requirements • The cash strategy is regularly considered during any investment strategy review as well as during the triennial valuation process
<p>Failure to adhere to the requirement of the LGPS regulations and comply with the Myners' Investment Principles</p>	<p>Risk of inefficient management of the Fund by the Administering Authority</p>	<ul style="list-style-type: none"> • Compliance is regularly considered and subject to annual review in the Investment Strategy Statement (ISS) and Governance and Compliance Statement

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
Administration Risk		
A serious cyberattack, leading to disruption to the discharge of Administering Authority functions	Compromised data as a result of a cyberattack could lead to its potential misuse, resulting in a number of consequences including a reputational risk to the Fund	<ul style="list-style-type: none"> • Business continuity measures in place and frequently reviewed by ICT • The Council operates a firewall which protects the Council's IT facilities from external threats, and provides a control mechanism for access to internal Council data • A full disaster recovery plan and a Business Continuity plan for Altair pension administration software is in place and tested/updated annually • Annual testing/assessment of systems, hardware and software providers resilience to cyber threats and controls in place • Provision of training for officers and members on at least an annual basis, utilising both internal and external training providers to ensure a comprehensive overview
Failure to pay pensions and lump sums on time.	<p>Financial difficulty for members who are financially dependent on the Fund to pay benefits</p> <p>Reputational risk to the Pension Fund</p> <p>Risk of additional costs to employers where interest is payable as a result of late payment</p>	<ul style="list-style-type: none"> • A robust and thorough workflow procedure is in place and carried out within Altair pensions administration system • Independent checking at senior officer level to mitigate the risk of error • The Fund participates in a National Fraud Initiative • The Fund uses Western Union to carry out annual checks on overseas pensioners • External/Internal Audit of the process at least annually
Failure to issue Annual Benefit Statements (ABS) to active and deferred members by 31 July	<p>Reputational risk to the Fund and complaints from members</p> <p>Breach of the regulations resulting in possible fines</p>	<ul style="list-style-type: none"> • Robust procedure in place to ensure deadline can be met on an annual basis • Frequent cleansing of membership data to ensure accuracy in the production and distribution of Annual Benefit Statements (ABS) per the regulations and timescales
Non-compliance with legislation and failure to correctly implement new legislation and regulations	<p>Reputational risk to the Fund</p> <p>Inaccurate calculations resulting in incorrect benefit payments being made</p>	<ul style="list-style-type: none"> • In-house training provided to staff • External training/guidance issued in respect of regulation change

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Risk Area / Type	Risk Detail	Risk Mitigation Measures
Fund Governance Risk		
Lack of relevant expertise, knowledge, skills and resources at officer and member level in relation to administering the LGPS	<p>Insufficient knowledge, experience, skills, or resource to ensure statutory responsibilities are met</p> <p>Failure to provide an acceptable level of service to stakeholders</p>	<ul style="list-style-type: none"> Established governance structure operating within the Council's constitutional process A scheme of delegation to allow senior officer decision-making if required Scrutiny, compliance and monitoring of Fund activity carried out quarterly by the Local Pension Board The Fund subscribes to CIPFA knowledge and skills framework and promotes training opportunities for all of its members and officers The appointment and use of appropriately qualified external advisors Subject to both internal and external audit testing of Fund operations on at least an annual basis
Failure to comply with LGPS and other statutory regulations in terms of policy and reform	<p>Incorrect benefit payments being made</p> <p>Failure to comply with governance standards or HMRC tax requirements</p> <p>Poor customer feedback leading to a loss in confidence of the service provided</p> <p>Increased risk of IDPR and Ombudsman appeals and TPR fines, all of which would have a reputational impact on the Fund</p>	<ul style="list-style-type: none"> External training received by the LGA and other providers In-house training provided for all staff Fund officers remain abreast of emerging sector developments through attendance at conferences, networking, circulars, and bulletins

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<p>Insufficient resource to input effectively input into the development of the Wales Pension Partnership (WPP)</p>	<p>The management of the Pension Fund is adversely affected due to key officers concentrating on the pooling proposal, resulting in under-performance and failure to meet statutory obligations</p> <p>The pooling arrangement is not fit for purpose, resulting in increased risk exposure and criticism of Central Government in their pursuit for well established, functional asset pools</p>	<ul style="list-style-type: none"> The Wales Pension Partnership (WPP) is now well established with external advisors appointed to oversee and manage the infrastructure and intellectual capital required to ensure this partnership is a success A robust governance framework has been established and is fully operational Representation of the Pension Fund at WPP level is shared amongst the Head of Pensions, the Deputy Chief Executive of Resources, and the Chair of Pensions Committee as a JGC member The establishment of focused sub-groups assists in the granular consideration of important issues which feeds back into the broader Officer Working group (OWG) work plan
<p>The use of "Third Party" external services within Fund operations</p> <p>Also referred to as "Other Provider Risk" within Funding Strategy Statements</p>	<p>Fund assets at risk through:</p> <ul style="list-style-type: none"> a) Poor external investment management experience b) Security of Assets c) Inappropriate advice 	<p>This risk relates to areas such as transitions, custody, and stock lending. The Fund measures and manages these Other Provider risks through:</p> <ul style="list-style-type: none"> A process of regular scrutiny and engagement Audit of the operations the provider conducts for the Fund, or the delegation of such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds) Retaining the power to replace a provider should serious concerns exist

4.4 Control assurance reports

The Fund has outsourced the following functions of the Fund:

- a. Investment management
- b. Custodianship of assets

As these functions are outsourced, the Pension Fund is exposed to third party risk, and this is also acknowledged on the Risk Register (risk FG5). A range of investment managers are used to diversify manager risk. To mitigate the risks regarding investment management and custodianship of assets, the Fund obtains independent internal controls assurance reports from the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the assurance reports are reviewed. The Council's internal audit service undertakes planned programmes of audits of all Pension Fund operations on a phased basis and the review of internal controls assurance reports is within the scope of these audits.

4.5 Internal Audit commentary

The role, operation and standards placed on the function of Internal Audit is clearly articulated within the Council's Annual Governance Statement. This also extends to the role of the Audit Committee who oversee the annual audit work plan of both the Council and the Fund.

During 2021/22, the Fund was not subject to an internal audit review. However, following the completion of two audits during 2020/21, the recommendations arising from the governance audit were reviewed, updated, and presented to the Local Pension Board for their consideration and comment, with management providing subsequent updates on progress against recommendations issued.

5. Financial performance

5.1 The fund account (page 64) indicates an increase in the net assets of the scheme available to fund benefits during the year of £210.8million for 2021/22, this follows a £829.6million increase in the Fund in 2020/21. The summarised figures are shown in the table below.

Fund Account 31 March 2022	
	£000
Employees/employers contributions	(136,924)
Benefit payments	132,359
Net transfer values and refunds	(314)
Net return on investments	(218,528)
Other income/expenses	12,580
Net (increase)/decrease in the Fund	(210,827)

5.2 Contributions to the Fund from members and employers increased by £6.623million, from £130.301million in 2020/21 to £136.924million in 2021/22.

5.3 Payments to beneficiaries in respect of pension benefits increased by £9.177million, from £123.182million in 2020/21 to £132.359million in 2021/22.

5.4 Transfer values received into the Fund increased by £4.699million, from £3.932million in 2020/21 to £8.631million in 2021/22. Transfer values paid out by the Fund increased by £2.440million, from £5.619million in 2020/21 to £8.059million in 2021/22.

5.5 The net assets of the Fund are represented primarily by investments (see below and page 80). Appendix 1 (page 102) illustrates the movement in the market value of investments since March 2013 and the tactical asset allocation.

Net Assets 31 March 2022		
	£000	£000
Fixed Income	529,501	
UK equities	497,330	
Overseas equities	2,290,345	
Pooled property funds	86,235	
Alternative investments	344,685	
Cash	12,518	3,760,614
Other investment balances		641
Investment liabilities		-
Current assets		13,928
Current liabilities		(7,116)
Net Assets of the Fund		3,768,067

5.6 Timeliness of receipt of contributions

The table below sets out the percentage of contributions received from employers on or before the due date during 2021/22. The Pensions Regulator requires that contributions deducted from pay must be paid to the Fund no later than the 22nd day (19th if paying by cheque) of the next month.

	2021/2022
Percentage of contributions received on or before the due date	99.75%

The option to levy interest on overdue contributions has not been exercised.

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5.7 Forecasts

The following tables show the forecasts and outturn for the fund account and net asset statement for the 3 years to 31 March 2023. Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets, and the net investment income and change in market value are based on the long-term forecast returns for each asset class.

Fund Account	2020/2021		2021/2022		2022/2023
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Restated					
Income					
Contributions receivable	(128,226)	(130,301)	(132,965)	(136,924)	(143,443)
Transfers in	(7,365)	(3,932)	(3,412)	(8,631)	(7,692)
Investment income	(5,813)	(31,446)	(23,560)	(34,209)	(34,601)
Total income to the Fund	(141,404)	(165,679)	(159,937)	(179,764)	(185,736)
Spending					
Benefits payable	125,758	123,182	123,336	132,359	130,982
Transfers out and refunds	7,021	5,797	6,189	8,317	8,813
Management expenses	11,117	11,069	11,326	12,580	13,326
Total spending for the Fund	143,896	140,048	140,851	153,256	153,121
Profit and losses on disposal of investments and changes in the market value of investments	(114,323)	(804,008)	(176,194)	(184,319)	(201,780)
Net (increase)/decrease in the Fund	(111,831)	(829,639)	(195,280)	(210,827)	(234,395)

Net Asset Statement	2020/2021		2021/2022		2022/2023
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Equities	1,970,326	2,651,048	2,804,809	2,787,675	2,958,221
Government bonds	268,991	274,208	276,950	264,066	268,027
Corporate bonds	258,706	277,288	281,725	265,435	271,009
Property	75,649	73,305	76,384	86,235	90,547
Cash and alternatives	260,281	274,187	286,362	357,844	375,231
Net Investment Assets	2,833,953	3,550,036	3,726,230	3,761,255	3,963,035

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The 2022/2023 forecasts for total investment assets are based on the actual assets under management for 31st March 2022, multiplied by the forecast long term returns for each asset class as provided by the Fund's Actuary.

Expected return on assets	Long term performance assumptions (20 years) as at 31 March 2022
UK equities	6.2%
Overseas equities	6.1%
Government Bonds (medium term)	1.5%
Corporate Bonds (medium term)	2.1%
Pooled property investments	5.0%
Alternatives (absolute return)	4.9%
Alternatives (direct lending)	4.3%
Alternatives (infrastructure)	6.5%
Cash	2.4%

5.8 Operational expenses

Restated	2020/2021		2021/2022		2022/2023
	Forecast £000	Actual £000	Forecast £000	Actual £000	Forecast £000
Administrative costs	1,386	1,433	1,479	1,371	1,552
Investment management expenses	8,600	8,608	8,637	10,074	10,372
Oversight and governance costs	1,131	1,028	1,210	1,135	1,402
Total	11,117	11,069	11,326	12,580	13,326

Included in oversight and governance is an indicative budget for the cost of our involvement in the Wales Pension Partnership collaboration across Wales via investment pooling. A key aim of the pooling arrangement is to generate economies of scale, making savings in terms of external fund management fees paid as a result of collective investment. Oversight and governance costs will however increase due to the additional layer of governance required but investment management savings are expected to outweigh them once the Pool becomes established.

Management fees paid to investment managers are broadly based on the market value of the investments under their management and are therefore forecast to increase in line with the assets.

ASSET POOLING

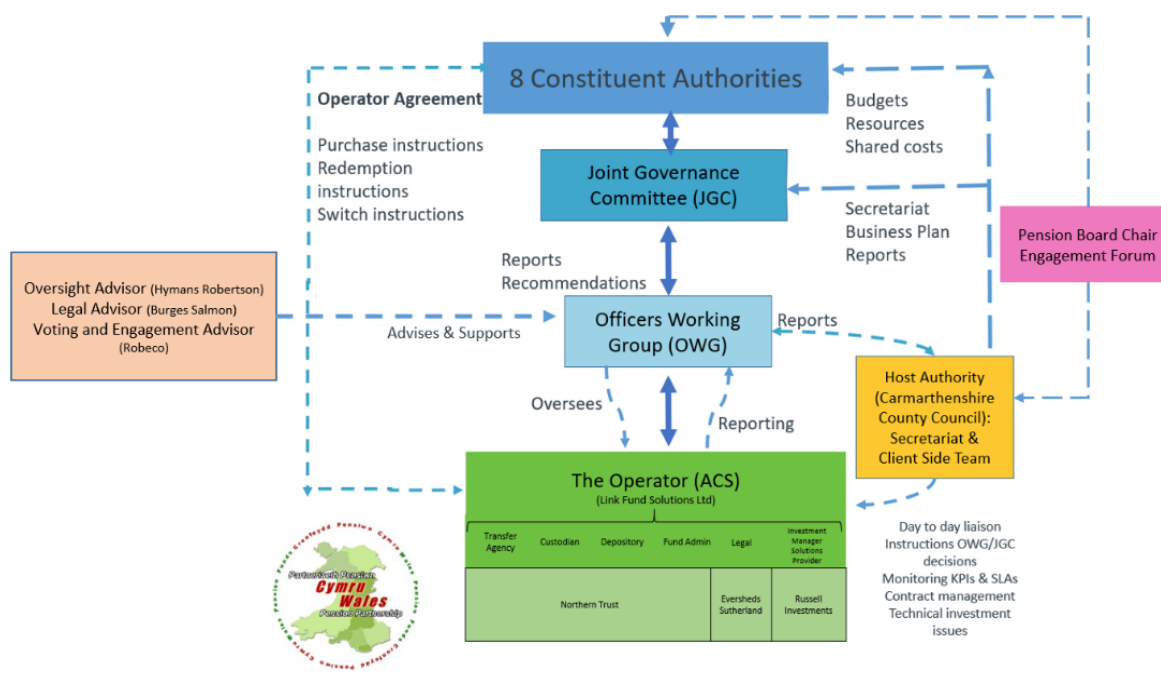
1. Investment Pooling – Wales Pension Partnership (WPP)

- 1.1 The Pension Fund is a participating scheme in the Wales Pension Partnership (WPP). The existing governance structure and basis by which it operates was set out in the July 2016 submission to government and has since been extensively considered and developed. The final arrangements are set out in an Inter Authority Agreement approved by both the Pensions Committee and Administering Authority's full Council in March 2017. The objective is to deliver:
- material cost savings for participating funds whilst improving or maintaining investment performance after fees
 - robust governance arrangements to oversee the Pool's activities
 - a framework by which Constituent Authorities explore the benefits of wider pooling solutions and potential direct investments
 - an investment framework that achieves the best outcomes for key stakeholders, the Constituent Authorities
- 1.2 The WPP pool consists of all eight LGPS funds in Wales including Dyfed (Host Authority), Swansea, Cardiff, Greater Gwent (Torfaen), Rhondda Cynon Taff, Powys, Clwyd, and Gwynedd. The eight funds have a long, successful history of collaboration including a collaborative tender for a single passive equity provider for all Welsh funds which pre-dated the Government's pooling initiative.
- 1.3 Collective investment management offers the potential for savings in investment fees, opportunities to broaden investment portfolios through the increased variety of investment offerings, enhanced voting, and engagement activity as well as access to shared knowledge and best practice. Whilst the WPP is responsible for providing collaborative investment solutions, each constituent authority remains responsible for setting their own investment strategy.

2. Governance Arrangements of the WPP

- 2.1 The WPP operates via a Joint Governance Committee (JGC) represented by all eight constituent authorities who have collectively appointed Link Fund Solutions as the FCA authorised operator. Link operate a collective investment vehicle for the sole use of the partnership. In addition, Link have appointed Russell Investments to provide the necessary investment management and advisory services, Northern Trust act as the pool custodian and depositary, Hymans Robertson as oversight and governance advisor, Burges Salmon provide legal services and Robeco Asset Management provide voting and engagement services. During 2021/22, Bfinance were appointed to oversee the extensive procurement exercise undertaken by the WPP to appoint an Allocator for future private market investments.
- 2.2 The arrangements in place between Constituent Authorities and the pool are as follows:
- The Joint Governance Committee (JGC) is made up of one representative from each of the eight Constituent Authorities, typically the Pensions Committee chair or deputy
 - The Officer Working Group (OWG) is made up of senior officer representation from each of the eight Constituent Authorities
- 2.3 Further details of the role and involvement of administering authorities in the governance arrangements of the pool, as well as a suite of WPP policies, can be found on the WPP website: <https://www.walespensionpartnership.org/>

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3. Pooling Progress

- 3.1 The WPP aims to deliver investment solutions that allow the Constituent Authorities to implement their own investment strategies with material cost savings while continuing to deliver investment performance to their stakeholders. The WPP has made significant progress towards delivering this objective. The launching of WPP's 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 the WPP now has investment management responsibility for 72% of the Welsh LGPS assets.
- 3.2 As at 31 March 2022, the Constituent Authorities have combined assets worth £23.1 billion, £16.6 billion of which sits within the WPP. A breakdown of this can be seen below:

Asset Class	Managed By	Launch Date	2020/21 £000	2021/22 £000
Global Opportunities Equity Fund	Russell Investments	February 2019	2,624,492	3,387,941
UK Opportunities Equity Fund	Russell Investments	September 2019	674,460	730,278
Global Growth Equity Fund	Link	February 2019	3,061,322	3,303,494
Emerging Markets Equity Fund	Russell Investments	October 2021	n/a	464,615
Global Credit Fund	Russell Investments	July 2020	791,481	757,659
Global Government Bond Fund	Russell Investments	July 2020	526,763	507,273
UK Credit Fund	Fidelity	July 2020	550,986	574,224
Multi-Asset Credit Fund	Russell Investments	July 2020	714,418	723,184
Absolute Return Bond Fund	Russell Investments	September 2020	456,255	509,602
Passive Investments	BlackRock	March 2016	5,232,789	5,599,927
Total Pooled Investments			14,632,966	16,558,199
Total Non-Pooled Investments			6,938,068	6,534,711
Total Investments across Constituent Authorities			21,571,034	23,092,910

- 3.3 The WPP actively managed funds are held in an Authorised Contractual Scheme (ACS) structure operated by Link Fund Solutions, with several underlying managers appointed to manage each sub-fund.

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3.4 There was a pre-pooling (i.e. pre WPP) investment initiative whereby the 8 LGPS funds issued a joint procurement exercise and appointed Blackrock as the manager to manage the passive equity mandates. This is recognised as a WPP pooled investment due to the fee savings gained in exchange for scale of capital. Overtime, the Fund has worked with colleagues across the WPP, and Blackrock, to evolve the ACS fund and the ACS World Low Carbon Tracker Equity Fund is the current passive investment held by the Fund.

3.5 Investment assets split between Greater Gwent (Torfaen) Fund and WPP

Asset Class	Managed By	31 March 2022 £000	31 March 2022 £000	31 March 2022 %
Global Opportunities Equity Fund	Russell Investments	538,037		14.3
UK Opportunities Equity Fund	Russell Investments	497,330		13.2
Emerging Markets Equity Fund	Russell Investments	69,002		1.8
Global Credit Fund	Russell Investments	265,435		7.1
Global Government Bond Fund	Russell Investments	264,066	1,633,870	7.0
Passive Investments	BlackRock	941,307	941,307	25.0
Investments Within the Pool		2,575,177	2,575,177	68.4
Investments Not Yet Pooled		1,186,078	1,186,078	31.6
Total Investments across Greater Gwent (Torfaen) Fund		3,761,255	3,761,255	100

The above table gives a further analysis of note 14b to the accounts to breakdown the Fund's investments managed by Russell Investments under the structure operated by Link Fund Solutions, together with the passive investments managed by BlackRock and the assets that remain under the direct oversight of the Fund. During the year, £125,000,000 of the Fund's assets transitioned to the WPP portfolios and the table above shows the assets that sit within the pool as at 31 March 2022.

4. Pooling Costs

4.1 Details of the costs incurred by the Greater Gwent (Torfaen) Pension Fund in respect of the WPP are detailed below.

2020/21 £000	WPP Oversight and Governance Costs	2021/22 £000
291	Operator Fees	328
66	Set Up and Oversight Costs	115
19	Host Authority Costs	20
3	Transition Costs (direct)	-
379		463

4.2 The table reflects the costs incurred in financial year 2020/21 and 2021/22. As the WPP operates a Joint Governance Committee (JGC), with the investment infrastructure and management appointment processes operated by Link Fund Solutions and Russell Investments, the majority of WPP costs incurred by the Fund are in respect of oversight and governance. A summary of the individual categories can be found below:

- i. **Operator Fees** - these are the fees charged by Link Fund Solutions as the FCA authorised Operator to establish and run a collective investment vehicle. The increase in fees between 2020/21 and 2021/22 reflects the increased value of Assets under Management (AuM) during the period, together with the costs of set up on and ongoing inclusion of the new Emerging Market equity sub-fund.

- II. **Set up and Oversight Costs** - the Pension Fund incurs costs for its share of the professional fees incurred in the setting up and governance of the WPP. As the WPP's objectives have evolved, so has the need for additional professional advice and support. The increases relating to set up and oversight costs reflects the WPP's ongoing commitment to achieving its objectives as set by the Constituent Authorities.
- III. **Host Authority Costs** - Carmarthenshire County Council acts as the Host Authority for the WPP, providing administrative and secretarial support to the JGC and liaising day to day with the Operator on behalf of all of the LGPS funds in Wales.
- IV. **Transition Costs (direct)** - transition management is the process of managing changes to a portfolio of assets and the Pension Fund incurs costs when a transition manager is appointed to transfer assets into the WPP. Transition activity carried out during 2021/22 was undertaken by the impending investment manager whose fee was not explicitly charged in the form of an invoice. Instead, indirect transition costs were charged against the value of investments transitioned and shared proportionality amongst Constituent Authorities involved in the transition process. Further details can be found within Transition Costs (section 5).

5. Transition Costs

- 5.1 In addition to the WPP's Oversight and Governance costs shown above, the Pension Fund also incurred costs associated with the transition of its assets into the pool. To date, the Fund has undergone five transitions in relation to the WPP, one in 2018/19 (Global equities), one in 2019/20 (UK equities), two transitions in 2020/21 (Fixed Income) and a further transition in 2021/22 (Emerging market equities). The costs of transitioning assets can be categorised in terms of direct and indirect costs. Direct costs include the costs of appointing a transition manager to undertake the transition, together with any additional oversight of this process undertaken from a research and reflection perspective. Indirect costs are both the explicit and implicit costs of transition, such as commissions, taxes, brokerage fees and spread and impact costs known as Implementation Shortfall. Aside from the direct transition costs disclosed above, the majority of transition costs are directly attributable to the assets undergoing the transition and are therefore deducted from their value, as opposed to a direct charge to the Fund.

	2021/22		Cumulative (2018/19 – 2021/22) £000
	Direct £000	Indirect £000	
Transition Fee			262
Tax			767
Other Transition Costs		283	8,069
Total Transition Costs	0	283	9,098

- 5.2 All five transitions undertaken to date have involved a number of the eight Welsh LGPS funds and costs have been shared as a proportion of total AUM. The direct and indirect costs included in the table above reflect the proportion attributable to the Pension Fund only, with cumulative costs including all five transitions undertaken since inception.

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6. Asset Allocation and Performance

6.1 The following table shows how each of the investment mandates have performed during the year, with opening and closing values as well as one-year performance included net and gross of fees where available. In addition, the table splits out investments under pooled arrangements with the WPP and those that remain under non-pooled investment arrangements with the Fund's legacy managers as at 31st March 2022.

Asset Category	Opening Value		Closing Value		1 Year Performance	
	£000	%	£000	%	Net	Benchmark
WPP Managed Investments (Pooled Arrangements)						
LF Wales PP Global Opportunities Equity Fund	485,367	13.7	538,037	14.3	10.85	12.42
LF Wales PP UK Opportunities Equity Fund	444,185	12.5	497,330	13.2	1.16	13.03
LF Wales PP Emerging Markets Equity Fund*	-	-	69,002	1.8	-5.93	-5.36
LF Wales PP Global Government Bond Fund	274,208	7.7	264,066	7.0	-3.70	-4.17
LF Wales PP Global Credit Fund	277,288	7.8	265,435	7.1	-4.27	-5.10
BlackRock ACS World Low Carbon Tracker Equity Fund (Passive) (pre-WPP initiative)	811,049	22.9	941,307	25.0	16.06	15.71
Total	2,292,097	64.6	2,575,177	68.4		
Fund Managed Investments (Non-Pooled Arrangements)						
BlackRock Ascent Life European Equity Fund	523,783	14.8	442,506	11.8	9.52	6.46
Invesco Asian Fund	269,507	7.6	263,198	7.0	-2.29	-6.57
Fidelity Institutional Emerging Markets Fund	117,157	3.3	36,295	1.0	-15.22	-7.12
Standard Life Global Absolute Return Strategies Fund	71,655	2.0	115,597	3.1	-4.98	0.14
Fidelity Multi Asset Income Fund	116,556	3.3	115,344	3.0	-0.98	0.14
Invesco Global Targeted Returns Pension Fund	65,309	1.8	63,107	1.7	-3.37	0.14
Invesco Credit Partners (Cayman) II, L.P.**	5,767	0.2	28,571	0.8	n/a	n/a
Gresham House BSI Infrastructure L.P.**	4,767	0.1	22,066	0.6	n/a	n/a
M&G UK Companies Financing Funds L.P.**	3	-	-	-	n/a	n/a
Cash (In-house & with managers) **	10,130	0.3	13,159	0.3	n/a	n/a
Pooled Property Funds	73,305	2.0	86,235	2.3	20.33	23.14
Total	1,257,939	35.4	1,186,078	31.6		

* inception to date figures due to part year performance

** performance not available due to nature and timing of mandate

7. Objectives 2022/23

- 7.1 Following the launch of a number of sub-funds to date, progress will continue to be made with additional investment sub-funds planned for launch during 2022/23. The development and launch of sub-funds are driven by the needs and requirements of each of the Constituent Authorities based on their individual investment strategies.
- 7.2 The WPP anticipates the launch of several new investment sub-funds during 2022/23. A high-level transition timetable has been provided below:

Investment Portfolio	Timeline for Launch/Implementation
Tranche 5 – Private Market Alternatives	Transition planned 2022-2024
Tranche 6 – Sustainable Active Equities	Transitioned planned Q1 2023

- 7.3 In terms of other, non-investment objectives, the WPP has set out several objectives within its annual business plan which are considered vital to the continued success of the pool:
- 7.4 (1) **Governance** - the WPP believes that good governance leads to better outcomes for its stakeholders. Further work will therefore involve policy development, risk register oversight and review as well as a review of existing governance documents and structure.
- 7.5 (2) **Ongoing Sub-Fund Development** - to date the WPP has collectively pooled 72% of its assets and a number of additional sub-funds are in the process of being developed.
- 7.6 (3) **Investments & Reporting** - the WPP recognises the importance of ensuring that existing investment solutions remain optimal and aligned to constituent authority requirements, whilst delivering the investment return expectations set out within individual investment strategies. The WPP will continue to deliver on its reporting requirements and will develop further reporting, as and when required.
- 7.7 (4) **Communication & Training** - the WPP wants to ensure that internal stakeholders and external parties are aware of the WPP's progress and publish numerous reports and updates to ensure that it proactively communicates its progress to stakeholders.
- 7.8 (5) **Resources, Budgets & Fees** - the WPP recognises that insufficient resources pose a significant risk to its ability to deliver an investment framework that achieves the best outcomes for its key stakeholders. The WPP carries out a number of reviews to guarantee that it has suitable resources to deliver on this commitment.

8. WPP Risk Management

- 8.1 Risk management is a critical element of the WPP's commitment to good governance. In light of this, an extensive and robust risk strategy has been developed in consultation with the WPP's risk sub-group and its advisors and is considered quarterly by both the OWG and JGC. The approach seeks to identify and measure key risks and ensure that suitable controls procedures are in place to manage these risks. You can access the WPP's risk management documents on their website:
[Wales Pension Fund | Risk Policy and Risk Register \(walespensionpartnership.org\)](https://www.walespensionpartnership.org/risk-policy-and-risk-register)
- 8.2 At Pension Fund level, two specific risks have been identified and are monitored on a regular basis and the following risk table provides further information regarding these risks and the controls in place to manage them. Further details of the risk process in place for the Fund can be located on page 16.

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Risk Identified	Potential Consequence	Risk Score Range	Controls/Mitigation
Financial losses experienced during the process of transitioning Fund assets into the Wales Pension Partnership (WPP) pool	Poorly executed transitions of pension assets could result in high trading costs or loss of Net Asset Value in the short-term.	High	<ul style="list-style-type: none"> The WPP and its constituent authorities take professional and timely advice from its advisors to ensure it is undertaking transition activity within an appropriate market environment A reconciliation of assets transferred to the pool is undertaken by the investments team following each transition A detailed report from the appointed transition experts commissioned by the WPP will be produced following each transition to provide added assurance to constituent Funds and their elected members
Investment pooling with the Wales Pension Partnership (WPP) fails to deliver long-term investment returns	The WPP fails to deliver long-term investment returns beyond what the Fund would have expected to generate had pooling not occurred. This would result in a longer payback period on the initial investment envisaged, and the likelihood of needing to increase employer contribution rates as a result in order to ensure pension liabilities are fully funded in the future.	High	<p>Substantial governance arrangements are in place at both officer (Officer Working Group) and shareholder (Joint Governance Committee) level which ensures that:</p> <ul style="list-style-type: none"> Both the WPP and the constituent authorities take appropriate professional advice on any investment decisions put before Pensions Committee Quarterly investment performance monitoring is undertaken as a minimum by both the WPP and local advisors to the Fund

8.3 Whilst the risk score range attributable to the above is categorised as high, the Pensions Committee is comfortable with the level of mitigation in place in which to manage them. The Pensions Committee recognises that the process of transitioning assets will continue for a number of years and so this risk will continue to be monitored as appropriate until such time that it feels it can be reduced to an acceptably low level or removed altogether. The risk of the WPP failing to deliver long-term performance remains high as this underpins the justification for asset pooling and is likely to remain the case for the foreseeable future. However, as the WPP continues to establish itself and the governance arrangements mature it is expected that this level of risk will be reduced over-time to a more acceptable level.

9. Securities Lending

9.1 Securities lending commenced in March 2020. Revenue is split on an 85:15 basis between WPP and Northern Trust (the third party providing securities lending services to the WPP) 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 generated during 2021/22 was £1,101,659 net of fees, with £430,743,792 out on loan as at 31 March 2022. More detailed information can be found in WPP's Annual Return which is published on the WPP website:

<https://www.walespensionpartnership.org/>

INVESTMENT POLICY AND PERFORMANCE REPORT

1. Investment markets

- 1.1 For the 12 months to 31st March 2022, the FTSE All Share returned +13%, while the MSCI All Countries World Index (MSCI ACWI) returned +12%. Despite another period of strong market performance, markets and investors continued to experience uncertainty as the economy recovered from Covid-19. Supply chains experienced significant disruption as some countries re-opened their economy whilst others reverted to locking back down. In addition, inflation rose more sharply and persistently than many first predicted, eroding initial claims of a shorter-term transitory effect, due to rising energy prices and a shortfall in renewables generation. The impact of this led to Central Banks raising rates at a faster pace than initially anticipated, leading to corporate bonds selling off during Q1 2022 and yields and spreads widening.
- 1.2 Loose monetary policy arising from many years of disinflation has been met by soaring commodity prices, further compounded by the invasion of the Ukraine by Russia. This, coupled with China's pursuit of a zero Covid-19 policy, continues to hurt the outlook for economic growth. While central banks are now tightening monetary policy through interest rate hikes intended to combat inflation, many market participants believe that central banks may tighten too far. The heightened volatility experienced in markets during early 2022 seems likely to continue for some time yet.
- 1.3 At Pension Fund level, the year began as it ended in 2020/21, with the Fund reaching a record high asset valuation in December 2021 at £3,900million. The turn of the calendar year saw market volatility increase, largely due to the macro themes highlighted above, and the Fund was subject to a sharp downturn in performance through the remaining quarter and into the 2022/23 financial year. The Fund returned +5.95% for the year to 31st March 2022, behind its strategic benchmark return of +6.92% but comfortably ahead of the long-term actuarial assumption which is one of the key drivers in the investment strategy setting process. Investment performance at asset class level varied, with equities, property/real estate and the Fund's small exposure to alternative investments all returning positive performance in absolute terms. Investment in fixed income and multi-asset strategies performed poorly on both a relative and absolute basis. Despite a volatile period that has seen disappointing performance, the Fund remains appropriately diversified and continues to look for opportunities to address discrepancies in its strategic asset allocation which is expected to be supported significantly by the WPP during 2022/23. Across all long-term time horizons, the Fund's performance continues to be strong and has outperformed its benchmark on a three, five and ten year basis.
- 1.4 The objective of investing Pension Fund assets is to maximise returns within acceptable levels of risk. The portfolio's investment performance directly influences the contribution that employers need to make to the Fund to pay for the statutory benefits payable from it. However, two particular factors need to be borne in mind. Firstly, the Pension Fund's liabilities are very long term, and those liabilities will increase with inflation and the rising level of employees' salaries and wages to the time of retirement. The need to ensure liquidity to pay benefits as they fall due is also a consideration in determining investment strategy. At present, Fund income is exceeding expenditure and so it has not been faced with the prospect of enforced realisation of investments. This requires regular monitoring however as the surplus of income over expenditure is decreasing year on year as the profile of its membership and liabilities changes over time. Secondly, the outlook and future benefits of scheme members is out of the direct control of the Pension Fund. Where changes to the benefit structure are proposed, or future conditions as projected through actuarial assessment weakens, the investment strategy must endeavour to work even harder to ensure that a prudent funding strategy can continue to be maintained in the long-term.

- 1.5 At each three-yearly interval, a triennial valuation exercise is carried out by the Pension Fund's appointed actuarial advisor and an assessment of asset and liabilities is undertaken to determine future contribution rates payable. During this review period, the Fund works with its full range of advisors to consider whether any changes are required to be made to the investment strategy in order to adapt to a change in conditions. The next triennial valuation exercise is due to take place during 2022/23 and will be reported on during the year, with the revised valuation report being made available alongside the 2022/23 Annual Report and Accounts.

2. Investment objectives & progress 2021/22

- 2.1 The objectives of the Fund's investment strategy can therefore be summarised as: -
- to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
 - to manage employers' liabilities effectively
 - to ensure that sufficient resources are available to meet all liabilities as they fall due
 - to maximise the returns from investments within reasonable risk parameters
 - to ensure that all statutory payments made from the Pension Fund are at minimal cost to local taxpayers
 - to ensure the Fund has a credible funding plan in place with the aim over the longer term of achieving full funding of all liabilities as they fall due (i.e. 100% funding)
 - to aim for consistent above median investment returns over rolling 3-year periods

The Pensions Committee attempts to meet its objectives by securing, in the light of the economic climate, the most advantageous mixture of cash, bonds, equity, property and alternative investments. More details are contained in the Funding Strategy Statement (see page 55). Investment management policy, principles and arrangements are detailed within the Investment Strategy Statement (ISS) (see page 52). The ISS documents and puts into effect the Fund's principal powers to invest in accordance with the investment regulations but now within an updated statutory framework that allows funds more flexibility with increased prudential responsibility in determining the investments the Fund makes.

- 2.2 In addition to setting the Fund's investment strategy via the most appropriate asset allocation, the Committee, in conjunction with the Fund's advisors, also determines the most appropriate mix of investment management arrangements for the Fund. This enables an appropriate and diversified blend of passive (market matching) and active (aiming to out-perform markets) management. It also enables managers to be appointed with varying performance targets, risk targets, investment philosophies and investment styles. This allows for even further diversification of investment risk for the Fund.
- 2.3 Within their consideration of the Investment Strategy, the Pensions Committee made the decision in March 2018 to review and formalise the long-term strategic direction to generally continue to reduce the Fund's exposure to equities and add to alternative investments. During 2019/20, the strategic asset allocation was formally reviewed once again, in accordance with the 2019 triennial valuation findings, and a revised investment strategy was agreed with the long-term strategic direction in mind. The review concluded that, despite a prolonged period of strong investment performance, there was a need to further diversify the portfolio with a revised framework of 56% Equities; 10% Fixed Interest; 34% Alternative Investments. During 2022/23 the Fund will once again undergo a triennial valuation exercise and a review of the investment strategy will follow this process.
- 2.4 The Fund continued its journey of pooling its investments with the WPP during 2021/22 as the UK equity sub-fund was topped up by £50million in June 2021 and an allocation of £75million to an Emerging Markets equity sub-fund was made in October 2021. This transition increased the Fund's overall commitment to the WPP to 43.4% pooled, alongside the Constituent Authorities existing passive investments of 25%, placing it comfortably within the median average for LGPS funds from a pooling perspective.

Further details of the progress made in pooling assets with the WPP, together with performance, costs and savings can be found in the section on Asset Pooling on page 25 of the report.

- 2.5 With the exception of the transition of monies to the WPP, a further investment commitment was made to an existing investment manager during the year. A second commitment was made to Gresham House's British Strategic Infrastructure Fund II (BSIF II), a second vintage infrastructure fund with a strong and continued focus on renewable and sustainable energy solutions throughout the UK. It was these characteristics, together with the responsible investment objectives of the Fund that attracted the Fund to make a commitment during 2021/22.
- 2.6 As at the reporting date, the Fund's assets outside the WPP therefore remain primarily with five external fund managers namely BlackRock, Fidelity Worldwide Investment, Invesco Perpetual, Aberdeen Standard Investments and Gresham House.

3. Responsible investment

- 3.1 The Pensions Committee recognises the importance of investing responsibly and continues to embed its importance into the core part of the Fund's investment policy. The Fund invests in the interests of our beneficiaries and employers and our fiduciary duty requires us to act in a financially prudent manner, taking ESG factors into consideration in the context of the financial risk that arises from investment decision-making.
- 3.2 As an asset owner operating within the public sector, the Pensions Committee alongside the industry within the UK is striving for high standards of transparency within the constraints of commercial sensitivities and understands the need for considerable scrutiny of our investments. During 2021/22, the Fund alongside the WPP, via the Pensions Committee, achieved the following:
 - a) A second investment commitment to Gresham House BSIF II with a clear and targeted focus on addressing ESG risks and UN Sustainable Development Goals (SDGs)
 - b) Extensive review and revised RI policy in March 2022
 - c) Contribution towards development of WPP's UK Stewardship Code report
 - d) Assisted the WPP in establishing its voting and engagement policy and framework
- 3.3 The Fund is awaiting Government guidance in relation to the Task Force on Climate Related Financial Disclosure (TCFD) which is expected to become applicable to the LGPS imminently. TCFD guidance will mandate organisations to measure and manage climate-related risks and opportunities within Fund investments.

4. Asset allocation

- 4.1 During 2019/20, the Pensions Committee undertook a detailed review of the strategic asset allocation as a result of a wider consideration of the Fund's investment strategy. This exercise was considered in parallel with the 2019 triennial valuation, which saw significant improvement in the funding position of the Fund. As a result, a risk-based decision to adjust the strategic asset allocation was taken, in accordance with the long-term investment objective of the Fund, and with the following primary considerations.
 - A significant improvement in the funding position of the Fund from 72% in 2016 to 86% in 2019 reduced the need for such high equity exposure in the primary pursuit of investment growth
 - An opportunity to streamline equity exposure to reduce the number of portfolios whilst retaining sufficient global exposure, both through active and passive management
 - An appetite for reduced volatility whilst improving risk adjusted returns where possible
 - Further diversification into alternative investment opportunities in an attempt to reduce risk whilst maintaining or improving investment returns

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- A more accommodating asset allocation mix that can take advantage of the opportunities put forward by the Wales Pension Partnership (WPP)

Following an officer recommendation paper that was presented to Pensions Committee in September 2019, the revised strategic asset allocation was approved. At the conclusion of the Fund's 2022 triennial valuation exercise, the investment strategy will once again be reviewed, and any proposed changes presented to the Pensions Committee for their consideration and approval.

The following table shows the Fund's actual asset allocation to 31 March 2022 against the strategic benchmark that was in place during the period.

Asset Class / Mandate	Approach	Manager	Strategic Allocation (%)	Tactical Allocation 31 March 2022 (%)
UK Equities				
UK Equities	Active	WPP	14.0	13.2
Overseas Equities				
Low Carbon Tracker	Passive	BlackRock	22.0	25.0
Global Equities	Active	WPP	12.0	14.3
European Equities	Active	BlackRock	-	11.8
Asian Equities	Active	Invesco	6.0	7.0
Emerging Markets	Active	WPP/Fidelity	2.0	2.8
Fixed Income				
Government Bonds	Active	WPP	5.0	7.0
Corporate Bonds	Active	WPP	5.0	7.1
Alternative Investments				
Multi Asset Fund	Active	Aberdeen Standard		3.1
Multi Asset Fund	Active	Invesco	5.0	1.7
Multi Asset Fund	Active	Fidelity		3.0
Infrastructure Fund	Active	WPP/Gresham House	10.0	0.6
Private Credit Fund	Active	WPP/Invesco Credit Partners	10.0	0.8
Pooled Property Funds	Active	TCBC	9.0	2.3
Other				
Cash/Accruals	Active	TCBC	0.0	0.3
Total			100	100

4.2 The above table shows that variances between strategy and actual allocations are currently mixed, reflecting a period of strategy evolution following the last formal review by the Pensions Committee. The strategy review undertaken by Pensions Committee focused on a reduction in equity allocation in exchange for increased exposure to private market alternatives which the Fund anticipates the material increase in exposure to arise in the form of WPP long-term solutions. Variances are regularly monitored by officers and are reported to the Pensions Committee on a regular basis. The following provides further detail on the actual year-end tactical allocations versus strategic allocations: -

- Equities - The long-term direction of travel is for the Fund to reduce its equity allocations to a target of 56%. Strong market and individual mandate performance during 2020/21 and 2021/22 have resulted in a disproportionate increase in equity allocations versus the broader strategy. The European equity allocation remains is a priority divestment area to support increased exposure to private market alternatives once available. Following a detailed manager selection process during 2021/22, the WPP appointed investment manager allocators to manage future infrastructure and private debt assets and it is reasonable to assume that investment opportunities will be forthcoming during 2022/23 for the Pensions Committee to consider.

- Global Fixed Income (Bonds) - The long-term strategy of the Fund is to reduce its exposure to Global Fixed Income to a target allocation of 10%. This asset class was subject to transition to the WPP during 2020/21 and the Pensions Committee made a conscious decision to remain overweight its allocation within the WPP, recognising the need to maximise transition efficiencies and retain assets under one Investment Manager. The Fund also retains full flexibility to rebalance its allocation to private market alternatives as they come available on the WPP platform.
- Private Market Alternatives - An area of priority for the Fund, recognising the long-term strategic allocation of 34% having been agreed by the Pensions Committee during the last formal review. The Fund has historically had very minor exposure to alternative asset classes which has been primarily in respect of Property and Multi-Asset investments. The long-term objective is to significantly increase exposure to Private Credit, Infrastructure and Property which the Fund expects to achieve through the WPP offering. During 2021/22, the WPP made significant progress in the pursuit of a private markets solution by conducting an extensive procurement exercise to identify future investment manager “allocators” in relation to Infrastructure (open and closed-ended) and Private Credit. These appointments were approved by the Joint Governance Committee (JGC) in March 2022. A further procurement exercise in relation to Private Equity is planned for 2022/23 with Property also under consideration. The Fund has taken some interim steps to manage strategic allocation risk whilst it waits on the WPP solution through the utilisation of multi-asset funds which justifies the moderate overweight position. In addition, following delegated approvals received by the Pensions Committee, the Fund has also pursued two private market investments outside of the WPP in order to gain moderate exposure to Infrastructure and Private Credit. Initial commitments were made to each asset class in 2020/21 and a further commitment to Infrastructure was made in 2021/22. The Pensions Committee remain cognisant of the nature of private market alternatives and the slower nature of capital drawdown.

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4.3 As at 31 March 2022 the net investment assets of the Fund (measured at bid-price market value) were administered as follows

Market value 31 March 2022	%	£000	Portfolios held
Investments managed by the Wales Pension Partnership			
Russell Investments	14.3	538,037	Global Opportunities Equity Fund
	13.2	497,330	UK Opportunities Equity Fund
	1.8	69,002	Emerging Markets Equity Fund
	7.1	265,435	Global Credit Fund
	7.0	264,066	Global Government Bond Fund
Wales Pension Partnership	43.4	1,633,870	
Investments managed outside of the Wales Pension Partnership			
BlackRock	25.0	941,307	Low Carbon Tracker Equity Fund
	11.8	442,506	European Equity Fund
	-	1	Cash
Assets held by BlackRock	36.8	1,383,814	
Invesco Perpetual	7.0	263,198	Asian Equity Fund
	1.7	63,107	Global Targeted Returns Fund
Assets held by Invesco	8.7	326,305	
Fidelity Worldwide Investment	1.0	36,295	Emerging Markets Equity Fund
	3.0	115,344	Multi Asset Income Fund
Assets held by Fidelity	4.0	151,639	
Aberdeen Standard Investments	3.1	115,597	GARS Fund
Assets held by ASI	3.1	115,597	
Investment Fund Managers	52.6	1,977,355	
Torfaen County Borough Council	2.3	86,235	Pooled Property Funds
	0.6	22,066	Gresham House BSI Infrastructure LP
	0.8	28,571	Invesco Credit Partners
	0.3	12,517	Cash
	-	641	Other investment balances
Administering Authority	4.0	150,030	
Net Investment Assets	100	3,761,255	

5. Investment performance

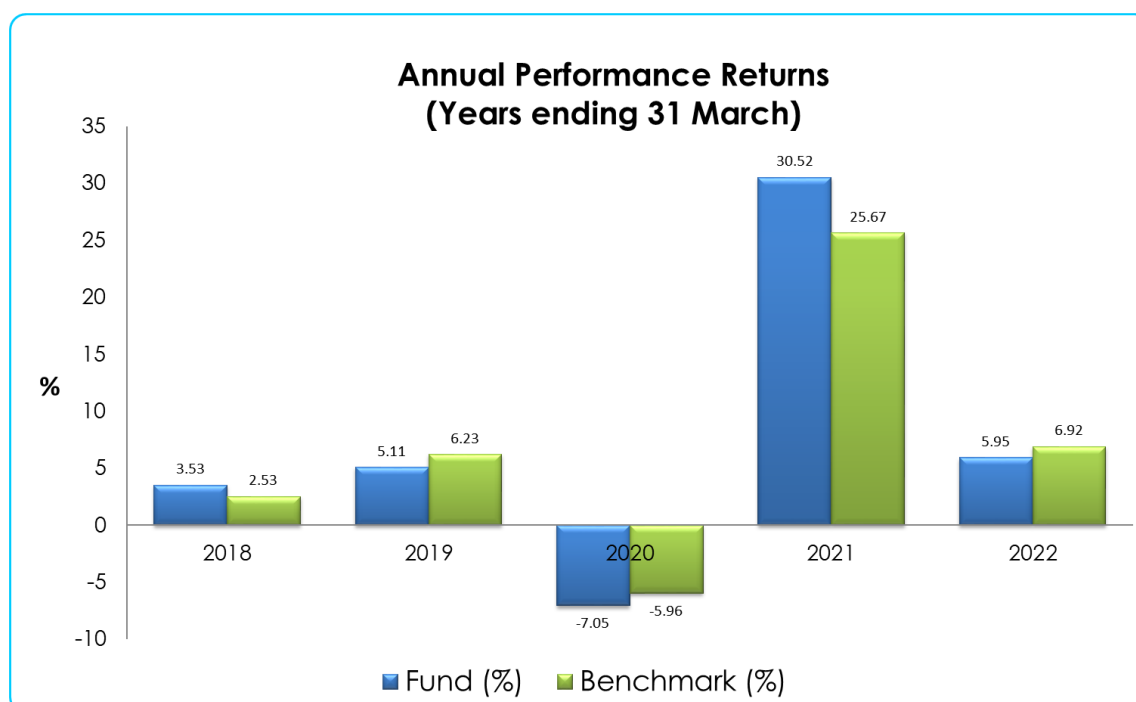
5.1 The table below shows, at a total fund level, the Fund's investment performance over historical periods, measured to 31 March 2022, versus the Fund's bespoke investment benchmark: -

Annualised % Performance	1 Year	3 Years	5 Years	10 Years
Greater Gwent (Torfaen)	5.95	8.73	6.94	8.78
Strategic Benchmark	6.92	7.99	6.52	8.41
Out/(Under) Performance	-0.97	0.74	0.42	0.37

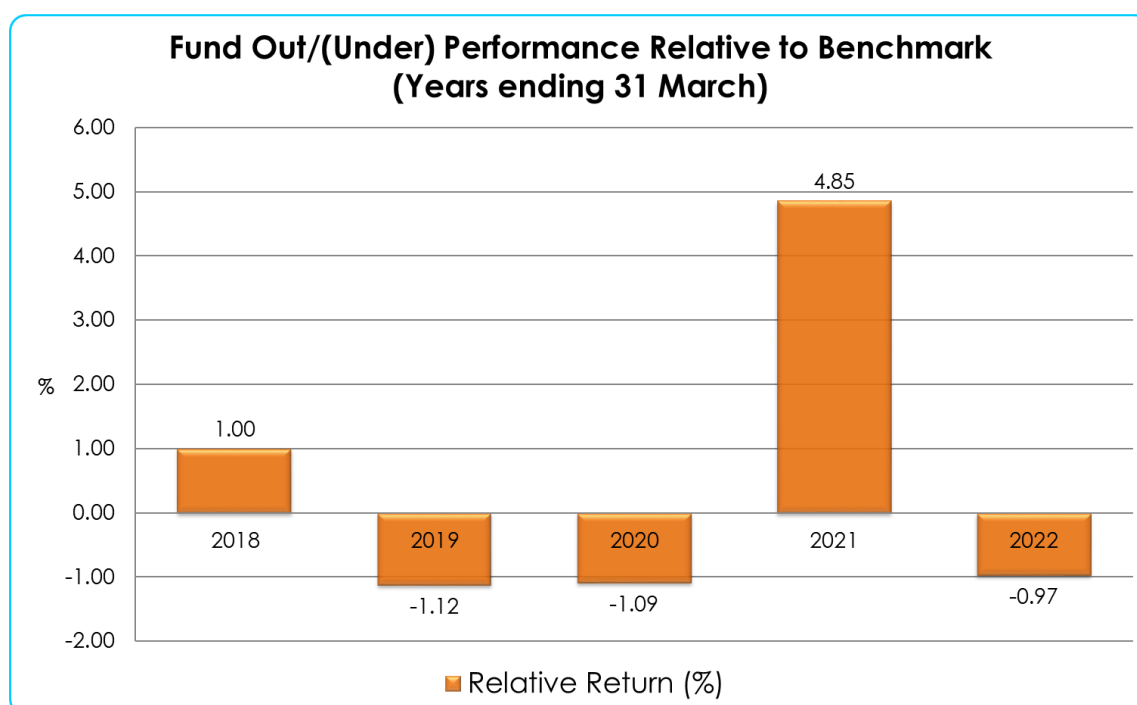
5.2 The Fund subscribes to investment performance services provided by Northern Trust, its global custodian. In the financial year ending 31 March 2022 the Fund delivered an investment return of +5.95% compared with +6.92% for the benchmark return.

5.3 The following graphs illustrate the Greater Gwent (Torfaen) Pension Fund annual performance returns as compared to the Northern Trust benchmark return over the last five financial years. The absolute return is the performance return for an asset or portfolio over a certain period. Relative return is the difference between the absolute return and the performance of the market, which is measured by a benchmark or index. Longer term returns can be seen in the graph on page 8.

a) Absolute performance returns



b) Relative performance returns



6. How did our managers perform?

- 6.1 In addition to investment performance from the markets themselves, the Fund generally looks to add additional investment returns across the majority (over 77%) of its asset allocation via active investment management, where the Fund's investment managers look to out-perform the respective market returns. Whilst this cannot be guaranteed and will vary from year to year the Fund expects active management to successfully add value over the long-term.
- 6.2 The table below details both market (benchmark) and Fund performance returns and shows a mixed position on both a relative and absolute basis. In absolute terms it was a challenging year for Emerging Markets and the Fund's exposure to Asian equities in particular, with the former most affected by the impact of Russia's invasion of the Ukraine across the whole portfolio. Both mandates typically invest in regions where economies such as China continued to pursue a zero covid-policy, Government regulation was imposed on various sectors and geo-political tensions rose. All of these factors contributed to a volatile period. The Fund's fixed income allocations were subject to transition during the year and so only part period performance is available. Rising yields towards the latter part of 2020/21 contributed towards the negative performance of these mandates but it is pleasing that performance on a relative basis remains positive. The picture is a little more mixed across existing alternatives where some mandates performed better than others, particularly in the case of multi-asset funds. Finally, the Fund's two new alternative commitments remain in their infancy and as such performance is not available at the reporting date.

In addition to strong one-year performance the Fund is also ahead of benchmark on a relative basis across all long-term time horizons. As a long-term investor the Fund remains focused on the ability of its investment managers to outperform their respective benchmarks over a longer time horizon, minimising short-term volatility as a result of active management skill.

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6.3 The following shows detailed performance for the Fund by Asset Type, Region and Manager.

Asset Class / Region	Manager	Share of Fund at Year end %	Fund Performance for Year %	Benchmark Performance for Year %	Relative Performance for Year %
Equities					
Low Carbon Tracker	BlackRock	25.0	16.06	15.71	0.35
UK	WPP	13.2	1.16	13.03	-11.87
Europe	BlackRock	11.8	9.52	6.46	3.05
Asia	Invesco	7.0	-2.29	-6.57	4.28
Emerging Markets	Fidelity	1.0	-15.22	-7.12	-8.10
Emerging Markets*	WPP	1.8	n/a	n/a	n/a
Global	WPP	14.3	10.85	12.42	-1.56
Fixed Income					
Global Government Bonds	WPP	7.0	-3.70	-4.17	0.47
Global Credit	WPP	7.1	-4.27	-5.10	0.83
Other					
Alternatives	Aberdeen Standard GARS	3.1	-4.98	0.14	-5.12
	Fidelity MAI	3.0	-0.98	0.14	-1.12
	Invesco GTR	1.7	-3.37	0.14	-3.51
	Gresham House**	0.6	n/a	n/a	n/a
	Invesco Credit Partners**	0.8	n/a	n/a	n/a
Pooled Property	Various	2.3	20.33	23.14	-2.81
Cash and other investment balances	Various**	0.3	n/a	n/a	n/a

* WPP Emerging Market sub-fund launched October 2021

** performance not available due to nature and timing of mandate

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6.4 As at 31st March 2022, the Fund's investment assets held outside of the Wales Pension Partnership remain primarily with five external fund managers as below:

Mandates managed by external Fund Managers as at 31 March 2022	
<p>BlackRock</p> <ul style="list-style-type: none"> Low Carbon equity tracker fund (passively managed fund invested through a collaboration arrangement of all 8 LGPS funds in Wales) European Equity Fund 	
<p>Invesco Perpetual</p> <ul style="list-style-type: none"> Asian equity fund Multi asset fund - Global Targeted Returns Pension Fund Invesco Credit Partners (Cayman) II, L.P. 	
<p>Fidelity Worldwide Investment</p> <ul style="list-style-type: none"> Emerging market equity fund Multi asset fund - Multi Asset Income Fund 	
<p>Aberdeen Standard Investments</p> <ul style="list-style-type: none"> Multi asset fund - Global Absolute Return Strategies 	
<p>Gresham House</p> <ul style="list-style-type: none"> British Strategic Infrastructure Fund (BSIF) 	

ADMINISTRATION REPORT

1. Summary of activity of the service in the year

The Administration report has been produced in line with CIPFA's 'Preparing the Annual Report' guidance and reflects national development changes in terms of governance guidance issued under the Public Service Pension Act 2013 and CIPFA's working group on pension fund administration.

1.1 Core Work

The work undertaken by the Pension Team in relation to the main 'core service' statistics is illustrated on the following table. The table illustrates the work outstanding as at 1st April 2021, additional work added during the period, the amount of work completed during the period and the work in progress as at 31st March 2022.

	Work outstanding 1 April 2021	New	Total	Completed	Work in progress 31 March 2022
Retirements processed	378	1,913	2,291	1,809	482
Deferred processed	191	1,575	1,766	1,632	134
Retirement estimates	414	3,053	3,467	2,963	504
Deaths processed	146	703	849	672	177
Transfers in/out	1,022	3,527	4,549	3,591	958
New Starters	577	4,078	4,655	3,821	834
Total	2,728	14,849	17,577	14,488	3,089

The following table illustrates the average monthly new work and completed work in the year to 31st March 2022 compared with the previous year.

	Average Monthly New Work received in year to 31/03/2021	Average Monthly New Work received in year to 31/03/2022	Average Monthly work completed in year to 31/03/2021	Average Monthly work completed in year to 31/03/2022
Retirements processed	128.16	159.42	124.83	150.75
Deferred processed	92.58	131.25	94.91	136
Retirement estimates	194.50	254.42	191.75	246.92
Deaths processed	63.08	58.58	61.75	56
Transfers in/out	213.75	293.92	222.08	299.25
New Starters	245.25	339.83	270.16	318.42
Total	937.32	1,237.42	965.48	1,207.34

An analysis of the core work completed during the year, shows the following trends:

- The number of new cases and cases completed during 2021/22 has increased significantly compared to 2020/21.
- During 2020/21 the Fund saw a decrease in the number of new cases coming into the Fund. This was attributed to a number of different factors including: work initially taking longer to complete at the beginning of lockdown as the team grew accustomed to working from home; reliance on third parties for data responses which were hindered by the COVID-19 pandemic; members of the team juggling working from home with caring for their children; and members getting accustomed to returning documentation electronically.

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- During 2021/22 the number of new cases coming into the Fund, and the number of cases completed, has reverted to pre-COVID-19 pandemic levels as restrictions have eased.

1.2 Other Activity

In addition to our core service we have also undertaken the following work: -

- During 2021/22 work has continued on the Amendments to the Statutory Underpin with the Fund updating member's hours and service breaks. Heywood Pension Technologies has also been developing enhancements to the Altair Administration system to assist the Fund with this project. The Regulations are expected to come into force on 1st October 2023.
- The Fund continued to be vigilant to the possibility of scammers during 2021/22. On 8th November 2021, The Occupational and Personal Pension Schemes (Conditions of Transfer) Regulations 2021 were laid, and these took effect from 30th November 2021. These regulations set out additional checks that all pension schemes must make before paying a transfer value to a new scheme. The Regulations set out six red flags and if any of these are present the transfer cannot proceed. The Regulations also set out a list of amber flags, including where evidence has been provided but there are doubts about whether it is sufficient or genuine. Where there are amber flags, the member must take additional pension scam guidance from the Money and Pension Service (MaPS) before the transfer can proceed. The Fund carried out a review of its transfer procedure and members communication in relation to transfers in order to ensure that the new regulations were met.
- The Fund continues to work with the Local Pension Board, Pensions Committee and Chief Information Security Officer to understand and put in place measures to protect the Fund against Cyber Risk. The Pension Manager meets with the Chief Information Security Officer on a monthly basis and members of the Local Pension Board and Pensions Committee are provided with cyber security updates on a quarterly basis. During 2021/22 the Fund carried out a tabletop exercise with Heywood Pension Technologies. This exercise was about ensuring cyber resiliency in view of attacks being on the increase and to provide reassurance to stakeholders on the measures that Heywood Pension Technologies have in place. The purpose of the tabletop exercise was to safely test business plans in a controlled environment through responding to a test scenario. The Chief Information Security Officer issued a report stating that Heywood Pension Technologies had the necessary policies and plans in place to handle a cyber-attack and no issues were found.
- In February 2021, the Fund purchased PENGuide, a comprehensive on-line guide which covers the LGPS (past and present) plus overriding legislation, case law etc. The on-line system contains thousands of documents issued over the past 40 years and more which relate to the Local Government Pension Scheme. PENGuide has been an invaluable tool to the Pension Fund, enabling staff to root out comprehensive answers to complicated questions. The Fund is also planning to use this to train new members of staff.
- 2021/22 saw a number of consultations in relation to the Pension Dashboard. In preparation for this the Fund is carrying out an exercise to re-connect with members who have lost contact with the Fund and is working through its data improvement plan to ensure the data it holds for all its members is as accurate as possible.
- The Fund has produced quarterly newsletters to its employers and annual bi-lingual newsletters to its members to keep them up to date with topical pension matters, including legislative updates and procedural changes.
- The Fund has participated in Club Vita to provide a bespoke analysis of the demographic trends and longevity of the members of the Pension Fund.

- The Fund continues to collaborate with the other seven LGPS funds within Wales to improve the consistency, effectiveness, communication, and administration of the services provided.
- The Fund participates in the LGA Communication subgroup to assist in developing LGPS scheme wide communications.

1.3 Future Challenges

- The next actuarial valuation of the Pension Fund will be carried out as at 31st March 2022 and will set employer contribution rates for the next three years commencing 1st April 2023. Work is already underway to data cleanse records within the administration system to ensure that timely and accurate data can be provided to the actuary.
- The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 is coming into force on 1st June 2022. These regulations affect LGPS members when they apply or contact the Pension Fund about applying to take or transfer their AVCs. The Pension Fund will need to offer to book a Pension Wise appointment for these members as part of the application process for taking in house AVCs. Over the forthcoming months the Fund will be reviewing and amending its procedures in relation to AVCs to comply with these new regulations.
- During 2022/23 the Fund will be implementing a number of payroll enhancements including Immediate Payments, Payroll Multiple Employments, Payroll Arrears and Enhanced Admin to payroll. These enhancements will enable the Pension Fund to streamline and automate processes. The project is expected to start in June 2022.
- During February 2021, the Fund purchased Heywood Pension Technologies reporting tool, Altair Insights. Work is expected to commence on this in April 2022. Altair Insights is a modern analytics and reporting platform to enable pension funds to get the most out of their data. Altair Insights has a standard library of content including data quality, payroll and CIPFA reporting and also enables funds to deploy scheme specific reports and dashboards. Altair Insights will enable pension administrators to access information, view reports and identify KPI deficiencies, reducing valuable administration time for staff.
- During 2022/23 there will be an internal audit of the Pension Fund Administration service in line with Torfaen's annual internal audit plan for the financial year.
- During 2022/23, the Fund will continue work on the amendments to the Statutory Underpin, validating and updating data from employers and uploading this to members records. Once records have been adjusted any members in scope will require recalculation. Leavers who have 'benefited' from the new underpin will require a recalculation of their benefits, arrears calculated, and payment made.
- The Pensions Regulator new single Code of Practice is expected to be laid before Parliament in June/July 2022 and to come into force in October 2022. Officers will be familiarising themselves with the requirements of the new Code over the next few months to ensure that the Pension Fund is prepared for when it comes into force.
- Regular legislative changes both currently planned and into the future provide challenges to the fund, particularly where in some instances the legislation is backdated. The Fund will therefore continue to develop its policies to meet these challenges and continue to work with scheme employers and our colleagues in other LGPS Funds on a national basis to comply with these new requirements.
- During 2022/23 the Fund will be preparing to implement the 'Good Governance' recommendations expected to be accepted in full by DLUHC, carrying out a comparison against the new requirements and considering what needs to be done to meet these requirements.

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1.4 Technology and pension administration system developments

The Pension Fund is committed to developing and utilising technology to develop its pension administration service. During 2021/22, the Fund carried out the following technology and pension administration system developments:

- Replacement of its previous online pension system in favour of Heywood's Pension Technology Member Self Service and i-connect systems.
- My Pension Online went live on 13th August 2021. Annual Benefit Statements (ABS's) were published to My Pension Online, and Fund officers wrote out to all members asking them to sign up to the new My Pension Online system to access their ABS's.
- The My Pension Online system has a number of benefits including:
 - A simpler logging in process
 - Information is updated in real time
 - New Pension Calculators
 - It is bilingual
 - There are more ways for members to contact the Fund
- In addition to this, My Pension Online has enabled the Fund officers to automate more of its processes, providing more flexibility for members to update their own records, and removal of substantial manual intervention that has historically been required.
- As at 31st March 2022, just over 16% of the Pension Fund's total membership had registered for My Pension Online.

Status	Number of Members	Number of members signed up to MPO	Percentage of members signed up to MPO
Active	25,015	6,021	24.07%
Deferred	18,963	2,461	12.98%
Pensioner/ Dependant	19,474	1,694	8.70%
Total	63,452	10,176	16.03%

- Fund officers, as well as the Pensions Committee, recognise the importance of a Member Self Service system, and the fact that it is an efficient way of keeping in contact with the majority of the Pension Fund's membership.
- Following the implementation of My Pension Online in August, the Fund amended its deferred process to require all new deferred members to sign up to My Pension Online to access their deferred pack. Most members who have lost contact with the Fund are deferred members. By requiring deferred members to sign up to My Pension Online, the Fund is hopeful that it can regain, and maintain, contact with these members.
- During 2021/22 the Fund also went live with i-connect. I-Connect simplifies data interactions between employers and the Fund within a highly secure environment. Data is taken directly from the employer's payroll system and i-Connect identifies new joiners, opt outs and leavers setting up relevant workflow cases. As at 31st March 2022, 37 of the Fund's employers were submitting their monthly data via i-connect.
- The Pension Fund launched a new website in October 2021. The website has many new features including:
 - Updated mobile website
 - Full website accessibility compliance with WCAG2.1 standards
 - Improved search functionality
 - Updated look and feel

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- Improved functionality to provide the Fund with more control and flexibility on the design

1.5 Data Quality

- 1.5.1 Data is an essential part of making sure a scheme is being run well. Having good quality data ensures that members will receive the correct benefit entitlement and enables the Fund Actuary to calculate more accurate employer contribution rates.
- 1.5.2 In accordance with the Pensions Regulator's (TPR) Code of Practice 14 and the Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014, the Fund carries out a review of data on an annual basis, and this is reported to the Pensions Regulator as part of their Annual Survey.
- 1.5.3 The Fund reports on 'Common' and 'Scheme Specific' data. Common data is specified in the Pensions Regulator's guidance and Scheme Specific data is based on a standard data set of 22 core tests agreed with the Local Government Association.
- 1.5.4 The Fund last carried out a review of its data in October 2021 and the results were as below:

Data	2018	2019	2020	2021
Common Data	96.0%	99.7%	97.9%	97.8%
Scheme Specific Data	81.0%	88.8%	96.2%	96.8%

- 1.5.5 Whilst these results are positive, the Pension Fund has put in place a data improvement plan in attempt to further improve its overall quality. The data improvement plan provides the Fund with a plan and set of actions to be carried out to improve and then maintain the accuracy of the data that it holds. These actions will be carried out by the Pension Fund to rectify records and improve its results in preparation for the next data review.
- 1.5.6 The Fund continually strives to improve the data that it holds within its pension administration system and works closely with employers to ensure accurate and timely data is received.

2. Key Performance Data

2.1 Performance Indicators

2.1.1 Table 1 - key performance information

Process	Number of cases outstanding at start of period	Number of new cases commenced in year	Number of cases completed in year	Number of cases outstanding at year end	% Completed in year
Deaths	146	703	672	177	79.15%
Retirements	378	1,913	1,809	482	78.96%
Deferment	191	1,575	1,632	134	92.41%
Transfer in	495	604	654	445	59.51%
Transfer out	111	1,102	1,120	93	92.33%
Refund	170	957	973	154	86.34%
Divorce	6	3	3	6	33.33%
Member estimate	405	2,820	2,725	500	84.50%
Joiners	577	4,078	3,821	834	82.08%
Aggregation	416	1,821	1,817	420	81.22%
Total	2,895	15,576	15,226	3,245	82.43%

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2.1.2 The performance indicator data in these tables relates to pension benefit administration. The data for these performance indicators have been taken from the pension administration system, Altair, using workflow reports.

2.1.3 Each process the Fund carries out, in relation to benefit calculations, has a corresponding workflow process(es) within Altair. The workflow reports measure the amounts of time between two stages within the process to report the performance indicator.

2.1.4 **Table 2 – key performance indicators**

Process	KPI	%	Number of cases completed	Legal requirement	%	Number of cases completed
Retirements – letter notifying estimate of retirement benefits (Active)	15 days	88.04	751	2 months	99.77	851
Retirements – letter notifying actual retirement benefits (Active)	15 days	94.79	546	2 months	99.83	575
Deferred into Pay – Process and Pay lump sum retirement grant	15 days	100	976	2 months	100	976
Deferment – calculate and notify deferred benefits	30 days	82.26	1,224	2 months	90.05	1,340
Transfer In – Letter detailing transfer quote	10 days	90.45	512	2 months	97.00	549
Transfer Out – Letter detailing transfer quote	10 days	76.91	483	2 months	97.13	610
Refund – Process and pay a refund	10 days	98.58	995	2 months	99.74	1,159
Divorce Quote – letter detailing cash equivalent value and other benefits	45 days	98.36	120	3 months	100	122
Joiners – notification of date of enrolment	40 days	97.83	3,515	2 months	99.58	3,578

2.1.5 Fund officers are committed to improving the administrative performance levels of the Fund, and over the forthcoming year will be reviewing the performance indicators on a regular basis to ensure they remain appropriate, attainable, and suitably ambitious.

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2.2 Financial Indicators

2.2.1 Cost per scheme member has been calculated as the total management expenses divided by the total number of scheme members.

	31 March 2022 Number of members	2021/22 Total expenses £000	2021/22 Cost per member £
Membership as at 31 March 2022			
Contributors	25,015		
Pensioners	19,474		
Deferred benefits	18,963		
Total scheme members	63,452		
Administrative costs		1,371	21.61
Investment management expenses		10,074	158.76
Oversight and governance costs		1,135	17.89
Total management expenses		12,580	198.26
Total cost per scheme member including investment costs			198.26
Total cost per scheme member excluding investment costs			39.50

The following table shows the total cost per scheme member for prior years compared to the average cost for Welsh LGPS pension funds using SF3 data:

Process	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Wales 2020/21
Investment management expenses							
Total Cost (£'000)	7,466	7,055	7,492	7,656	8,176	8,608	93,261
Total Membership (number)	55,481	57,244	59,294	60,214	61,120	61,942	381,949
Sub cost per member (£)	134.57	123.24	126.35	127.15	133.77	138.97	244.17
Administration costs							
Total Cost (£'000)	1,131	1,108	1,225	1,216	1,280	1,433	11,805
Total Membership (number)	55,481	57,244	59,294	60,214	61,120	61,942	381,949
Sub cost per member (£)	20.38	19.36	20.66	20.19	20.94	23.13	30.91
Oversight and governance costs							
Total Cost (£'000)	608	770	649	678	1,047	1,028	5,351
Total Membership (number)	55,481	57,244	59,294	60,214	61,120	61,942	381,949
Sub cost per member (£)	10.96	13.45	10.95	11.26	17.13	16.60	14.01
Total cost per member £	165.91	156.05	157.96	158.6	171.84	178.70	289.09

2.2.2 Overpayments

With payments made in excess of £100million each year by the Pension Fund, there will on occasion be instances of overpayments. Fund officers seek to minimise, and recover where appropriate, any overpayment made to members as soon as possible. In general these arise from late notification of a member's death. The following table sets out overpayments during the last year.

Year	Cases	Pension overpayments	% Gross pension
2021/2022	13	£3,860.22	0.00362

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In all the above cases, the monies have either already been recovered or Fund officers are in direct contact with those concerned and arranging repayment.

2.3 Staffing

2.3.1 Staff numbers (FTE) and staff to Fund member ratios

As at 31st March 2022 there were 26.32 full time equivalent (FTE) members of staff in the pension section, with 12.84 responsible for pure pension administration (i.e. administering benefits).

2.3.2 The table below shows the 5-year trend of LGPS administration) staff to Fund ratio.

Year	Fund membership	LGPS administration staff	Staff to Fund members ratio
2021/22	63,452	12.84	4,941
2020/21	61,942	13.00	4,765
2019/20	61,120	12.74	4,797
2018/19	60,214	11.75	5,124
2017/18	59,294	12.00	4,941

2.3.3 Average cases per member of staff

The table below shows the average number of cases per member of staff.

Team	Number of staff	Number of cases	Average number of cases
Pension administration staff (benefits)	12.84	14,554	1,133.48

2.3.4 The information for the 'staff numbers (FTE) and staff to Fund members ratio' has been taken from the pension section's staffing structure and the total number of Fund members.

2.3.5 The information for the 'average cases per member of staff' has been taken from the pension section's staffing structure and workflow reports.

3. Other Information

3.1 Retirements during the year

This table provides a summary of the number of retirements within the Fund during 2021/22.

Reason for leaver	Number of pensioners
Early Retirement	319
Normal Retirement	10
Redundancy/ Efficiency	51
Ill Health	46
Late Retirement	141
Flexible Retirement	36
Total	603

3.2 Analysis of employers in the Fund

This table provides a summary of the number of employers in the Fund with active members and ceased (no active members but some outstanding liabilities).

	Active	Ceased	Total
Scheduled Body	34	8	42
Deemed Body	1	1	2
Admitted Body	22	23	45
Total	57	32	89

4. How the Service is Delivered

4.1 Key areas of technology used

4.1.1 The Pension Fund uses the pension administration system, Altair, which is provided and hosted by Heywood Pension Technologies. Heywood Pension Technologies provide regular updates to the system to ensure that it keeps in line with changes in regulations and other legislation. In addition to the core administration system, the Fund uses the following Altair modules: Pensioner Payroll, Workflow, and Image (Scanning).

4.1.2 The Fund's member and employer online services, My Pension Online (MPO) and i-Connect respectively, are also provided by Heywood Pension Technologies. I-Connect enables employers to send information regularly and securely to the pension fund. MPO enables members to see their pension account on-line, view the value of the pension that they have built up, check the information that we hold for them is correct, and inform the Fund of any changes in personal circumstances, such as changes to name, address, and email address. MPO also has the facility to enable active members to run estimates to see how changes might affect their pension, for example retiring early, changing hours, or swapping yearly pension for a one off lump sum payment.

4.1.3 The Fund uses the Government "Tell Us Once" service and ATMOS to help identify members who are deceased.

4.1.4 The Fund participates in the National Insurance Database to comply with LGPS governing regulations. It enables the Fund to check for duplicate death grants, check eligibility for transfer, refund, and trivial commutation payments, establish interfund options for re-joining members and trace lost members.

4.2 Key information sources

4.2.1 The Fund has its own website, <http://gwentpensionfund.co.uk> which is hosted by Hymans. The website contains information for active, deferred, pensioner and dependant members. The website also has links to the Members self-service and contact details for the Fund. The Fund offer three helpdesk options for members. One relates to member's benefit queries, one for member's queries regarding MPO and one for Payroll queries.

4.3 Staffing

4.3.1 The Pension Section comprises of 5 teams across 30 posts. There are 26 posts on the establishment list of the pension administration section, including the Pension Manager and Operations Manager. This equates to 24.07 full time equivalent (fte) members of staff. There are an additional 3 members of staff (2.24) full time equivalents covering pension investments and the wider governance of the Fund.

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4.3.2 The Payroll Team

The Payroll Team have averaged 3.54 fte staff during the year. They are responsible for calculating and checking pensions into payment, processing the monthly payment of pension, and ensuring the correct pensions are paid to the correct pensioners.

4.3.3 The Benefits Team

The Benefits Team have averaged 10.84 fte staff during the year. They are responsible for processing and checking a full range of benefit calculations including retirements, early leavers, deferred benefits, deaths, divorces, transfers in and out of the pension fund, refunds, estimate calculations, annual allowance, lifetime allowance, additional voluntary contributions and additional pension contributions. They are also responsible for providing guidance to Scheme employers and members in relation to LGPS regulations and related legislation.

4.3.4 The Systems Team

The Systems Team have averaged 5.73 fte staff during the year. They are responsible for data quality and data cleansing, as well as processing the monthly and year end files and electronic data exchange between the employers and the pension fund.

4.3.5 The Communications Team

The Communication Team have averaged 1.96 fte staff during the year. They are responsible for dealing with incoming post and emails received into the central inbox, communicating changes to regulations and guidance to employers and employees, updating Pension Fund letter templates and forms as well as updating Fund specific information on the Pension Fund website.

4.3.6 Contact details for the Pension Fund are available on our website: [Contact us | Greater Gwent \(Torfaen\) Pension Fund \(gwentpensionfund.co.uk\)](https://www.gwentpensionfund.co.uk)

4.4 **Accuracy and confidentiality of personal data**

4.4.1 The pensions section has robust systems and processes in place to protect the safety and security of data held by the Fund. The Fund adheres to the General Data Protection Regulations (GDPR), which came into force on 25th May 2018. A copy of the Fund's Privacy Notice is available on the website:

<https://www.gwentpensionfund.co.uk/forms-and-publications/privacy-notice/>

4.5 **Internal Dispute Resolution Procedure**

4.5.1 The pensions section operates a two stage Internal Dispute Resolution Procedure which can be found on the website. The website also contains links to the Pension Advisory Service and the Pensions Ombudsman:

<https://www.gwentpensionfund.co.uk/forms-and-publications/internal-dispute-resolution-procedure-guide-idrp/>

IDPR cases reported 2021/22

Stage	Cases submitted	Dismissed	Upheld	Ongoing
1	2	2	0	0
2	3	2	1	0

4.6 **Policy and guidance for employing bodies or members**

4.6.1 The Fund's Policy and Guidance document for granting Admitted Body Status is available on our website:

<https://www.gwentpensionfund.co.uk/media/kfgetxs/employer-guide-to-policy-and-requirements-for-admitted-body-status.pdf>

FUND POLICIES

1. Investment Strategy Statement

1.1 Background

The 2016 LGPS investment regulations require administering authorities to prepare, publish and review from time to time a written Statement recording the investment policy of the Pension Fund (Investment Strategy Statement or ISS). The ISS documents and puts into effect the Fund's principal powers to invest in accordance with the investment regulations, but within an updated statutory framework that allows more flexibility with increased prudential responsibility in determining the investments the Fund makes. The Fund revised and published its ISS for 2020/21 which can be found on our website:

<https://www.gwentpensionfund.co.uk/forms-and-publications/investment-strategy-statement/>

The review has not considered any fundamental changes to the document or structure but has instead sought to articulate the revised Strategic Asset Allocation formally agreed in September 2019, together with a more substantial consideration of the Wales Pension Partnership (WPP) recognising the fact that the Pool is now operational. The below however provides a brief overview of the document.

1.2 Introduction

The ISS confirms that the Committee seeks to invest, in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy Statement (see paragraph 3 below).

1.3 The suitability of particular investments and types of investments

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The Committee monitors the investment strategy on a regular basis, focusing on factors including, but not limited to: -

- Suitability given the Fund's level of funding and liability profile
- Potential impact of market conditions on long term levels of expected risk
- Outlook for asset returns

Within its general consideration of strategic approach, the Fund's Investment Objectives can be summarised as: -

- to enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- to manage employers' liabilities effectively
- to ensure that sufficient resources are available to meet all liabilities as they fall due
- to maximise the returns from investments within reasonable risk parameters
- to ensure that all statutory payments made from the Pension Fund are at minimal cost to local taxpayers
- to ensure the Fund has a credible funding plan in place with the aim over the longer term of achieving full funding of all liabilities as they fall due (i.e. 100% funding)
- to aim for consistent above median investment returns over rolling 3-year periods

1.4 Investment of money in a wide variety of investments

The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, and commodities either directly or through pooled funds.

The Fund's target investment strategy is set out within this section of the ISS including the maximum percentage of total Fund value that it will invest in these asset classes, and at which point re-alignment to strategy needs to be considered. At regular intervals, and certainly at each review point of the investment strategy, projections of anticipated return and risk levels are undertaken to ensure these continue to meet the actuarial requirements versus the Fund's assessed liabilities.

1.5 Investment management arrangements

The ISS notes that the Committee has appointed a number of appropriately authorised external investment managers to manage the vast majority of the Fund's investments. The residual is allocated internally to manage the Fund's strategic allocations to property, cash, and a small element of the Alternatives allocation. At present there are five investment managers appointed via individual Investment Management Agreements. 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 Fund's investment 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.

1.6 The approach to risk, including the ways in which risks are to be measured and managed

The ISS includes a detailed section noting the various types of risk the Fund faces and the measures in place to mitigate those risks. The risks are analysed across the headings of Funding, Investment and Governance Risks. As well as being included within the ISS, specific asset and provider risks are summarised within Note 17 to the Fund's Accounts on Page 88 of this report.

1.7 The approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is a participating scheme in the Wales Pension Partnership (WPP). The Fund's intention is to invest its assets through the WPP as and when suitable Pool investment solutions become available; and provided the solution meets the Fund's investment objectives and criteria. The ISS provides details of the structure and governance arrangements of the WPP together with the collectively agreed objectives of the partnership, confirmation of the transition activity to date and a timetable of future investment solutions to be offered to Funds.

1.8 How social, environmental, or corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention, and realisation of investments

It is recognised that ESG factors influence long term investment performance and the ability to achieve long term sustainable returns. The ISS details the Fund's approach to the consideration of ESG Factors and Sustainable Investment as well as its approach to the Stewardship of its assets. In addition, this section also reflects the views and work of the WPP in establishing its own policies and objectives. Further details of this are included within Section 2 (below) but it should be noted that this is an area under active review by the Fund's Responsible Investor Working Group.

1.9 Feedback and review

The Pensions Committee has reviewed the Statement and will continue to regularly review the Statement going forward, with appropriate stakeholder consultation, including the advice of the investment advisor, actuary, and the Assistant Chief Executive (Resources).

2. Responsible Investment Policy

2.1 Responsible Investment

Responsible investment is the term used to incorporate Environmental, Social and Governance (ESG) considerations into investment decision-making which, in turn, allows for better risk management and sustainable long-term returns. The Fund's approach to Responsible Investment is set out within the Responsible Investment (RI) policy which is available on the Fund's website: [responsible-investment-policy-april-22-v2-0.pdf \(gwentpensionfund.co.uk\)](https://www.gwentpensionfund.co.uk/responsible-investment-policy-april-22-v2-0.pdf)

This policy sets out the Fund's approach to RI activity. Our approach is informed by a number of widely recognised industry initiatives, most notably the aims and objectives of the Stewardship Code and Principles of Responsible Investment (PRI).

The Committee recognises that this policy, over time, will continue to evolve to reflect best practice, prospective developments and increasingly sophisticated methods of analysis and research. As such, the Committee is committed to reviewing this policy on at least an annual basis.

The Fund's purpose in developing and implementing this policy is to demonstrate to stakeholders that the Committee recognises the importance of making the Fund resilient to ESG risks and enable the appropriate steps to be taken towards this goal.

The Committee recognises that RI considerations may pose financially material risks to investment assets held within various investment mandates. Such considerations are relevant both in the way the Fund invests its assets and in the exercise of its stewardship responsibilities. The Fund will seek to apply this RI policy to all asset classes over time, working through third parties where relevant.

Within the Fund's governance structure, the Pensions Committee set up a Responsible Investments Working Group (RIWG), made up of members of the Pensions Committee and Pension Board, including the Chairs of each, which has an advisory role and makes recommendations to the Committee and Local Pension Board. The remit of the RIWG focuses on a range of ESG issues, including how the Fund can best meet its fiduciary duties with the risks posed by challenges such as climate change. In order to be best placed to understand and make informed decisions about responsible and sustainable investments, the Fund's Pensions Committee and Local Pension Board members continue to receive training in ESG matters from specialist advisers.

The RIWG have assisted the Pensions Committee and Local Pension Board in establishing and refining the Fund's RI objectives and beliefs. These are included in full within the RI policy.

You can read the Fund's RI and Climate Change policies on our website:

<https://www.gwentpensionfund.co.uk/forms-and-publications/responsible-and-sustainable-investment-policy/>

You can read the Wales Pension Partnership's Responsible Investments Policy on their website www.walespensionpartnership.org in the Publications area.

2.2 Myners Compliance

In accordance with LGPS Regulations, the Fund is required to state the extent to which it complies with the principles of investment practice issued by the Government in response to the recommendations of a review of institutional investment in the UK originally undertaken by Sir Paul Myners. The original review by Myners prompted the Government in 2001 to issue 10 principles of investment practice and earlier versions of the Fund's Statement of Investment Principles showed the extent of the Fund's compliance against these.

However, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require the Fund to state the extent of compliance with a revised set of 6 Myners principles covering pension fund investment; scheme governance; consultation and disclosure. The Fund fully supports and endorses both the original and revised Myners principles that have influenced various sections of the Fund's Statement. In addition, the Fund recognises the Myners Principles on its risk register and is periodically reviewed to ensure compliance is maintained.

3. Governance Policy and Compliance Statement

- 3.1 The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non or partial compliance.

The key issues covered by the best practice principles are:

- Formal committee structure, membership, and representation
- The role of the Local Pension Board and membership
- Voting rights
- The role of Management
- The role of External Advisors
- The role of Audit (both Internal and External)

The Fund's Governance Compliance statement was updated in October 2020 and can be accessed here –

<https://www.gwentpensionfund.co.uk/forms-and-publications/governance-policy-and-compliance-statement-2020/>

4. Funding Strategy Statement

- 4.1 Local Government Pension Funds are required to produce a Funding Strategy Statement (FSS) under Section 58 of the Local Government Pension Scheme Regulations 2013. Under the regulations, the administering Authority must prepare, maintain, and publish a written statement setting out their Funding Strategy. The Statement includes: -

- The purpose of the Funding Strategy Statement in policy terms
- Aims and purpose of the Pension Fund
- Responsibilities of the key parties
- Solvency issues and target funding levels
- Links to the investment policy set out in the Statement of Investment Principles
- Identification of risks and counter measures

The FSS is prepared in collaboration with the Fund's Actuary, Hymans Robertson, and forms an integral part of the framework within which they carry out triennial valuations to set employers contributions and to provide recommendations on funding decisions.

Following the 2019 triennial valuation, the FSS has been revised and published with effect from 1 April 2020. In summary, the key updates to the policy include:

- A revised set of funding risks following their review during the triennial valuation process
- A review and update of the funding target basis and applicable time horizon
- A review and update of the key actuarial assumptions such as the discount rate and longevity expectations
- Recognition and update of regulation changes

Within these headings, the Statement sets out to establish a clear and transparent strategy, specific to the Fund, which will identify how employers' pension liabilities are best met going forward. The Strategy is geared to: -

- Ensure that sufficient resources are available to meet all liabilities as they fall due
- Manage employers' liabilities effectively
- Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost, and
- Maximise the returns from investments within reasonable risk parameters

Further details are contained in the Fund's full FSS, which reflects the results of the Fund's most recent triennial actuarial valuation and is available on the website:

<https://www.gwentpensionfund.co.uk/forms-and-publications/funding-strategy-statement/>

During 2022/23, the Fund will undergo another triennial valuation exercise and the Fund's FSS policy will be extensively reviewed and updated in line with this process.

5. Communications Policy Statement

5.1 The Fund's Communications Policy Statement (CPS) is produced under Section 61 of the LGPS Regulations 2013. It was last extensively reviewed and updated during 2020/21 to reflect several changes in respect of developing communication methods, responsible investment activity and communication, clarity with regards to the role of both the Pensions Committee and Local Pension Board and some additional formatting changes intended to enhance readability for users.

<https://www.gwentpensionfund.co.uk/forms-and-publications/communications-policy/>

5.2 The current CPS continues to address the points below that have been noted within recent annual reports: -

- the increased complexity of the LGPS
- the increased demand from scheme employers for guidance in relation to the application of LGPS Regulations
- the increased demand from scheme employers for guidance in relation to budget restrictions and the impact on pension costs
- the increased demand from scheme members in relation to the application of the LGPS Regulations and wider pension and tax planning issues
- the increase in the level of reporting to DCLG, the Scheme Advisory Board, the Local Pension Board, and the Pension Regulator
- the desire to make better use of the opportunities available in relation to electronic communication, including conference calls and webinars

5.3 The updated policy however reflects the significant improvements in the area of electronic communication which have been introduced by the Fund. These include an upgrade to the pension fund website as well as the roll out of Employer Self Service and Member Self Service. Employer Self Service enables employers to submit year end and monthly data through a secure portal but also provides a secure means of communication between the pension fund and the employers. Member Self Service enables members to view their pension records and plan more effectively for their retirement and enables the Fund to communicate with the scheme members in a secure, cost-effective manner.

- 4.4 The Policy aims remain focused on ensuring that the Fund delivers clear and timely, proactive communications to our stakeholders which are targeted, clear, and accessible, accurate and timely and easily understood. The Fund recognises that there is a diverse range of scheme employers within the Fund with different levels of resource and understanding of pension's issues.
- 4.5 The Employer self-service facility has improved the flow of information to and from, in particular, the larger employers. However, the Fund recognises the need to maintain other forms of communication which are tailored to meet the differing needs of scheme employers including individual face to face meetings, employer forums, training workshops and guides as well as telephone and email engagement.
- 5.6 The 'My Pension Online' facility has proved popular with members, particularly those who are approaching retirement as the benefit calculator enables them to plan more effectively for their retirement. The pension fund website is the main source of information for scheme members and can now be used effectively on different devices including smart phones and tablet devices. The Fund encourages members to utilise the electronic communication facilities whilst recognising the need to utilise other forms of communication including face to face meetings, presentations and workshops, letters, newsletters, and telephone.

6. Pension Fund Annual Report

- 6.1 Section 57 of the LGPS Regulations 2013 requires the administering authority to publish a pension fund annual report; something we have always done. The regulations also prescribe their content in legislation. Recent regulation within Wales also provides external auditors with the means to undertake separate audits of LGPS pension funds. Advice from the Ministry for Housing, Communities and Local Government is that in meeting this policy objective, care has been taken to ensure that as far as possible, the way in which administering authorities already prepare and publish Fund annual reports can continue as before. With this in mind, although regulation 76B (1) requires an administering authority to prepare a document including the items listed in regulation 76(B) (a) to (k), primarily for the use of external auditors, new regulation 76(B) (2) also refers to the reports being published which, in the context of the regulation as a whole, enable an authority to "signpost" the individual items in a simpler document, as an alternative to the hard copy report.
- 6.2 The Fund has therefore included in the annual report a summary of the required key documents which are available in full using this hyperlink to the pension fund website: -

<https://www.gwentpensionfund.co.uk/forms-and-publications/>

Greater Gwent (Torfaen) Pension Fund (“the Fund”) Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated April 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £2,929 million, were sufficient to meet 86% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £478 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

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Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	20.6 years	22.9 years
Future Pensioners*	21.6 years	24.6 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation exercise is as at 31 March 2022, and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.



Peter MacRae FFA

21 April 2022

For and on behalf of Hymans Robertson LLP

The independent auditor's report of the Auditor General for Wales to the members of Torfaen County Borough Council as administering authority for Greater Gwent (Torfaen) Pension Fund

Opinion on financial statements

I have audited the financial statements of Greater Gwent (Torfaen) Pension Fund for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004. Greater Gwent (Torfaen) 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 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities;
- 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 2021-22.

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. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 twelve 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 and my auditor's report thereon. 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 financial statements set out on page 1, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to Greater Gwent (Torfaen) 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.
 - Obtaining an understanding of Greater Gwent (Torfaen) Pension Fund's framework of authority as well as other legal and regulatory frameworks that Greater Gwent (Torfaen) 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 Greater Gwent (Torfaen) Pension Fund.

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 and the Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the administering authority; 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 the Greater Gwent (Torfaen) 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.

Certificate of completion of audit

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



Adrian Crompton
Auditor General for Wales
Date: 23 November 2022

24 Cathedral Road
Cardiff
CF11 9LJ

Pension Fund Accounts

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Fund Account for the Year Ended 31 March 2022

	Note	2020/2021 £000	2021/2022 £000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	(130,301)	(136,924)
Transfers in from other pension funds	8	(3,932)	(8,631)
		(134,233)	(145,555)
Benefits	9	123,182	132,359
Payments to and on account of leavers	10	5,797	8,317
		128,979	140,676
		(5,254)	(4,879)
Net (additions)/withdrawals from dealings with members			
Management expenses	11	11,069	12,580
		5,815	7,701
Net (additions)/withdrawals including fund management expenses			
Returns on investments			
Investment income	12	(31,446)	(34,209)
Profit and losses on disposal of investments and changes in the market value of investments	14a	(804,008)	(184,319)
		(835,454)	(218,528)
Net return on investments			
Net (increase)/decrease in the net assets available for benefits during the year			
		(829,639)	(210,827)
Opening net assets of the scheme			
		(2,727,601)	(3,557,240)
Closing net assets of the scheme			
		(3,557,240)	(3,768,067)

Net Assets Statement for the Year Ended 31 March 2022

	Note	2020/21 £000	2021/22 £000
Investment assets	14	3,550,036	3,761,255
Investment liabilities	14	-	-
Total net investments		3,550,036	3,761,255
Current assets	20	12,572	13,928
Current liabilities	21	(5,368)	(7,116)
Net assets of the Scheme available to fund benefits at 31st March		3,557,240	3,768,067

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at Note 19.

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF FUND

The Greater Gwent (Torfaen) Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Torfaen County Borough Council.

The following description of the Fund is designed to be a summary only. For more detail, reference should be made to the 'signposting' to the Fund's statutory documentation on page 57.

1.1 General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Fund is an occupational, contributory, defined benefit pension scheme for pensionable employees of local authorities in Greater Gwent, except for teachers who have a separate scheme. Employees of a range of other organisations providing public services in Greater Gwent are also allowed to join the Fund as scheduled or admitted bodies. The scheme is financed by contributions paid by the employees, their employers, and earnings from the investment of the Fund's money. The type of investment is decided by legislation and not by the local authorities.

As administering authority, Torfaen County Borough Council is responsible for interpreting all pension laws, keeping accurate records, calculating, and paying benefits, and providing information to employees, employers, and other relevant bodies. Torfaen County Borough Council has established within its Constitution a Pensions Committee to discharge its duties as administering authority of the Fund. The Fund's primary stakeholder representative body is its Local Pension Board. The Public Service Pensions Act 2013, and subsequently the LGPS (Amendment) (Governance) Regulations 2015, required all LGPS funds to form such a Board. As with the Pensions Committee, the Local Pension Board is formally established within the Council's constitution. The Board has a statutory role to assist the Council in its role as the Scheme Manager of the pension fund.

1.2 Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Greater Gwent (Torfaen) Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer.

There are 57 active employer organisations within the Greater Gwent (Torfaen) Pension Fund, including the administering authority itself. The table below provides some further details in terms of membership.

Pension Fund Accounts 2021/2022

Fund Membership

	Active Members 31/03/21	Active Members 31/03/22
Administering Authority		
Torfaen CBC	3,129	3,221
Current Scheduled Bodies		
Blaenau Gwent CBC	2,712	2,659
Caerphilly CBC	6,774	6,930
Monmouthshire CC	3,274	3,405
Newport City Council	4,417	4,544
Valuation Panel	6	5
Coleg Gwent	716	687
Chepstow Town Council	6	8
Brynmawr Town Council	1	1
Chief Constable (Gwent)	903	999
Police & Crime Commissioner (Gwent)	19	18
Silent Valley Waste Disposal	3	2
Caldicot Town Council	3	2
Nantyglo & Blaina Town Council	2	2
Monmouth Town Council	2	2
Gwent Cremation Committee	11	10
Cwmbran Community Council	9	9
Pontypool Community Council	7	9
Tredegar Town Council	2	2
Rogerstone Community Council	6	6
Bargoed Town Council	1	2
Portskewett Community Council	1	1
Shirenewton Community Council	1	1
Magor with Undy Community Council	2	1
Langstone Community Council	1	0
Caerwent Community Council	1	1
Llanfoist Fawr Community Council	1	1
BTM CC	2	2
Abertillery & Llanhillith Community Council	2	1
Abergavenny Town Council	2	2
Croesyceiliog & Llanyrafon Community Council	1	2
Shared Resource Service	216	223
Llanbradach & Pwll-y-pant Community Council	1	1
Vann Community Council	1	1
Rogiet Community Council	1	1
Deemed Bodies		
Newport Transport	5	5
Admitted Bodies		
Melin Homes	45	45
Careers Wales Gwent	110	107
Citizen Advice Bureau Caerphilly	6	5
Hafod Care	8	7
Archives	15	15
Monmouthshire Housing	191	193
Bron Afon	309	288
Newport City Homes	353	351
Tai Calon	192	180

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Fund Membership

	Active Members 31/03/21	Active Members 31/03/22
Admitted Bodies continued		
Drive	4	3
Vinci	1	1
Compass Catering	27	21
National Trust	3	3
EAS	63	60
Churchill	3	3
Torfaen Leisure Trust	191	190
NCS Norse	123	109
Life Leisure	327	332
Newport Live	269	279
Alliance in Partnership	1	1
Radis	57	53
Arwen Cultural Trust	0	3
Total Active Membership	24,539	25,015
Total Deferred Members	18,685	18,963
Total Pensioners and Dependents	18,718	19,474
Total Membership	61,942	63,452

1.3 Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 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 uplifted annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the Fund website <http://gwentpensionfund.co.uk/>

1.4 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 16.8% to 52.6% of pensionable pay.

2. BASIS OF PREPARATION

2.1 The statement of accounts summarises the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

- 2.2 Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.
- 2.3 The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 19.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fund account – revenue recognition

The Fund Account is prepared on an 'accruals basis' unless otherwise stated below.

i) Contribution Income

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

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.

Early retirement strain costs due from employers are accounted for in the period in which the liability arises, with any amount due in year but unpaid classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

ii) Transfers To and From Other Schemes

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfer values are accounted for on a cash basis due to the liabilities not transferring until payments are actually made or received.

Group (bulk) transfers are accounted for on an accruals basis in accordance with the terms of the agreement.

Annual allowance tax charges that are paid to HMRC by the Fund on behalf of employees are accounted for as transfers out as their benefits are reduced accordingly.

iii) Investment Income

- Interest income from cash deposits is recognised in the fund account on an accruals basis.
- 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.

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- Income earned within the pooled investments is retained by the fund manager as part of the capital assets of the fund and reflected in a higher unit price, with the following exceptions:
 - a) The Fidelity Multi Asset Income Fund generates income distributions; this income is currently reinvested by the fund manager each month as a purchase of additional units.
 - b) The Wales Pension Partnership distributes income earned within the funds on its ACS platform when there is sufficient income to do so; this income is reinvested as a purchase of additional units in the fund, which thereby increases the market value of assets.
 - c) Dividends are paid out by most of the property pooled funds held by the Fund either monthly or quarterly.
- Any accrued dividend entitlements and tax reclaims receivable as at 31 March are included in 'other investment balances' and disclosed in the investment assets.
- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

3.2 Fund account – expense items

i) Benefits Payable

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the end of the financial year.

Pensions and lump-sum benefits payable include all amounts due as at 31 March in any year. The Fund does not normally account for, or disclose the effects on, benefits payable of any former employee decisions that occur post April 24 in any year, unless the total value is material.

The Fund's financial statements do not include CAY (Compensatory Added Years) and the related pension increases as the pension fund acts as an agent for the employing authority when making these payments.

ii) Management Expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016)'. All items of expenditure are charged to the Fund on an accruals basis as follows.

- **Administrative expenses**

All staff costs of the pension administration section are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as administrative expenses of the Fund in accordance with council policy.

- **Oversight and governance costs**

All costs associated with governance and oversight are separately identified, apportioned to this activity, and charged as expenses to the Fund. This figure also includes the cost of our involvement in the pension fund collaboration across Wales via investment pooling which is shared between the 8 Welsh LGPS Funds. Further details on the Wales Pension Partnership can be found on page 25 and in Note 13 on page 79.

- **Investment Management Expenses**

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees charged by external investment managers and custodians are set out 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.

In addition, the Fund has negotiated with Fidelity Worldwide Investment and Aberdeen Standard Investments that an element of their fees be performance related. Where an investment manager's fee invoice has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2021/22 £1.554m of fees is based on such estimates (£0.712m in 2020/21). Part of this increase relates to estimated management fees for the alternative assets as the Fund made further capital contributions during 2021/22.

- **Transaction Costs**

Transaction costs are associated with the acquisition or disposal of fund assets. Explicit costs typically include the commission that a broker charges, clearing costs, exchange fees, or any taxes or levies payable. Implicit transaction costs arise from the bid-offer spread, which is the difference between the highest price that a buyer is willing to pay for an asset and the lowest price that a seller is willing to accept. The Fund is working with the Scheme Advisory Board on a cost transparency initiative to identify and report these costs in a future disclosure note to reflect the true cost of ownership. Transaction costs incurred by a pooled fund are reflected in the value of purchases and sales in the reconciliation of movements in investments table (see Note 14a).

- iii) **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.

The Fund operates in the VAT registration for Torfaen County Borough Council and the accounts are shown exclusive of VAT. We can recover VAT input tax on all Fund activities.

3.3 **Net assets statement**

- i) **Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments in Note 14(a). Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

ii) **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. All cash balances 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 administering authority has the option of investing fixed term in specified investments or alternatively in instant access money market fund accounts, in accordance with the Fund's Cash Management Strategy which is reviewed and approved annually by the Pensions Committee. (The lending party is the pension fund rather than Torfaen County Borough Council as administering authority).

iii) **Financial Liabilities**

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

3.4 **Wales Pension Partnership**

In accordance with Central Government requirements the Wales Pension Partnership (WPP) has established a Joint Governance Committee formed from Elected Member representatives of the eight participating Welsh funds to govern the WPP and a regulated third-party operator, Link Fund Solutions, has been appointed to administer the pooling arrangements. There is no direct investment in the third party and therefore no investment balance. Each Fund retains responsibility for its own funding requirements and investment strategy but then uses the WPP to implement its investment requirements thereby aiming to achieve economies of scale in fees. The costs of setting up and running the WPP are shared by the eight partners (see Note 13 page 79).

3.5 **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 International Accounting Standard (IAS) 19 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 note to the net assets statement (Note 19, page 97).

3.6 **Additional voluntary contributions**

The Greater Gwent (Torfaen) Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Standard Life and Clerical Medical as its AVC providers. Some AVC contributions from prior years are also held with Equitable Life who were taken over by Utmost Life and Pensions in January 2020. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 22, page 99.

3.7 **Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably. Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

4.1 **Pension Fund liability**

The triennial valuation of the Fund carried out under Regulation 62 of the LGPS Regulations 2013 differs from the IAS19 annual valuations of the promised retirement benefits at the balance sheet date. The pension fund valuation is calculated every three years by the appointed actuary.

Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 18, page 96. This estimate is subject to significant variances based on changes to the underlying assumptions. The Code requires disclosure of the actuarial value of promised retirement benefits for the whole Fund at balance sheet date. See paragraph 3.5 above and Note 19, page 97. Since this depends upon a number of complex judgements, an actuary advises on the assumptions employed and carries out the calculation. The assumptions employed for IAS19 accounting purposes can differ from those employed for the triennial valuation of the Fund and could affect the value calculated.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

5.1 The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	<p>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.</p> <p>The Fund's Actuary, Hymans Robertson, is engaged to provide the Fund with expert advice about the assumptions to be applied. They also provide a sensitivity analysis.</p>	<p>The sensitivity to the financial assumptions used to measure the pension fund liabilities can be measured. For the year ended 31 March 2022; a 0.1% decrease in the discount rate assumption would increase the value of liabilities by approximately £124m; a 0.1% increase in assumed salary inflation would increase the value of liabilities by approximately £14m; and a 0.1% increase in the pension increase rate would increase the liabilities by approximately £109m.</p> <p>The principal demographic assumption is the longevity assumption, and for sensitivity purposes a 1-year increase in life expectancy would approximately increase the liabilities by around 4 % or £235m.</p>
Level 3 investments (Note 15)	<p>Level 3 investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p> <p>Obtaining a timely valuation is an issue with private funds where the valuation of investment vehicles often has to be 'stale' due to the unavailability of pricing information as at the Fund's year end date.</p> <p>Valuations as at 31 March are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolio of investments.</p>	<p>The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £50.637m at 31 March 2022. The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 15.</p>

6. EVENTS AFTER THE REPORTING DATE

- 6.1 The accounting statements are required to reflect the conditions applying at the end of the financial year; however, the Fund investment assets will move in line with the value of securities quoted on world stock exchanges which could increase or decrease. As the pension fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2022 and the date that the accounting statements are authorised for issue. This is known as a non-adjusting event after the reporting period.

7. CONTRIBUTIONS RECEIVABLE

The primary employer contribution rates for the Fund for 2021/22 ranged from 16.8% to 52.6% of pensionable pay for individual employers. Also payable is the secondary rate which is made up of additional lump sums or contribution rates applicable, again to individual employers. During the year some employers have paid additional contributions over and above the rate set for them by the Actuary. The deficit recovery contribution contains lump sum payments and contributions paid over the primary rates.

By category

2020/21		2021/22
£000		£000
(28,960)	Employees normal contributions	(30,645)
(136)	Employees 50:50 contributions	(153)
(82)	Employees additional contributions	(25)
(29,178)	Total employees contributions	(30,823)
(82,356)	Employers normal contributions	(86,695)
(17,682)	Employers deficit recovery contributions	(18,231)
(1,085)	Employers augmentation contributions	(1,175)
(101,123)	Total employers contributions	(106,101)
(130,301)	Total contributions receivable	(136,924)

By type of employer

2020/21		2021/22
£000		£000
(18,383)	Administering Authority	(19,232)
(97,066)	Scheduled bodies	(102,668)
(49)	Deemed bodies	(35)
(14,803)	Admitted bodies	(14,989)
(130,301)		(136,924)

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Contributions received in 2021/22 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Administering Authority				
Torfaen CBC	(4,136)	(15,096)	(19,232)	18,803
Scheduled Bodies				
Blaenau Gwent CBC	(3,227)	(11,936)	(15,163)	16,918
Caerphilly CBC	(7,658)	(26,545)	(34,203)	31,595
Monmouthshire CC	(3,876)	(14,133)	(18,009)	15,200
Newport City Council	(5,137)	(17,806)	(22,943)	20,800
Valuation Panel	(12)	(38)	(50)	25
Coleg Gwent	(829)	(2,473)	(3,302)	2,179
Coleg Gwent Training	0	0	0	16
Chepstow Town Council	(6)	(25)	(31)	34
Brynmawr Town Council	0	(2)	(2)	8
Gwent Police Authority	0	0	0	1,838
Chief Constable (Gwent)	(1,780)	(4,984)	(6,764)	2,136
Police & Crime Comm (Gwent)	(67)	(147)	(214)	82
Gwent Magistrates	0	0	0	451
Silent Valley Waste Disposal	(9)	(175)	(184)	151
Caldicot Town Council	(7)	(21)	(28)	96
Nantyglo & Blaina Town Council	(2)	(12)	(14)	8
Monmouth Town Council	(4)	(12)	(16)	9
Gwent Cremation Committee	(15)	(48)	(63)	87
Cwmbran Community Council	(11)	(42)	(53)	47
Pontypool Community Council	(11)	(42)	(53)	127
Tredegar Town Council	(2)	(11)	(13)	6
Rhydney Valley	0	0	0	0
Rogerstone Community Council	(8)	(31)	(39)	2
Bargoed Town Council	(1)	(4)	(5)	10
Portskewett Community Council	(1)	(2)	(3)	1
Shirenewton Community Council	(1)	(2)	(3)	9
Henllys Community Council	0	0	0	1
Magor with Undy Com Council	(3)	(15)	(18)	0
Caerwent Community Council	(1)	(2)	(3)	0
Llanfoist Fawr Community Council	(1)	(2)	(3)	0
Croesyceiliog & LLanyrafon CC	(1)	(2)	(3)	3
Abergavenny TC	(2)	(7)	(9)	0
BTM Community Council	(1)	(7)	(8)	0
Abertillery & LLanhilleth CC	(3)	(8)	(11)	0
Shared Resource Service	(483)	(1,337)	(1,820)	226
Llanbradach & Pwll-y-pant CC	(1)	(2)	(3)	0
Vann Community Council	(1)	(2)	(3)	0
Rogiet Community Council	(1)	(3)	(4)	0
Former Scheduled Bodies				
Gwent County Council	0	0	0	8,919
Commission for New Towns	0	0	0	617
Deemed Bodies				
Islwyn Transport	0	0	0	169
Newport Transport*	(8)	345*	337	1,021

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Contributions received in 2021/22 split by employers and employees

Authorities	Employees Contributions £000	Employers Contributions £000	Total Contributions £000	Benefits Payable £000
Admitted Bodies				
Big Pit	0	0	0	14
Melin Homes (formerly EVHA)	(99)	(719)	(818)	144
Careers Wales Gwent	(198)	(618)	(816)	911
Citizen Advice Bureau Caerphilly	(13)	(162)	(175)	32
Mitie (formerly Ballast)	0	0	0	13
CWVYS	0	(3)	(3)	22
Canllaw	0	0	0	7
Capita Gwent Consultancy	0	0	0	1,292
Hafod Care	(10)	(49)	(59)	301
Archives	(25)	(68)	(93)	88
Monitor	0	0	0	24
OCS Ex Monmouth CC	0	0	0	2
OCS Ex UWN	0	0	0	15
United Response	0	0	0	48
Monmouthshire HA	(378)	(960)	(1,338)	802
Bron Afon	(606)	(2,219)	(2,825)	2,015
Newport City Homes	(773)	(1,915)	(2,688)	1,184
Tai Calon	(368)	(1,337)	(1,705)	1,216
Manpower UK Ltd	0	0	0	3
DRIVE	(5)	(27)	(32)	192
Regent Ex Mon CC	0	0	0	11
Regent Ex Monmouth Cluster	0	0	0	3
Regent Ex Abergavenny Cluster	0	0	0	4
Regent Ex Chepstow Cluster	0	0	0	1
Vinci	(2)	(9)	(11)	1
Compass Catering Newport	(13)	(60)	(73)	199
Compass Catering St Albans	0	0	0	5
National Trust	(5)	(98)	(103)	19
Barnardo's	0	0	0	21
Education Achievement Service	(243)	(626)	(869)	760
Caterlink NCC Caerleon	0	0	0	6
Caterlink NCC Newport High	0	0	0	22
Churchill	(2)	(14)	(16)	8
Monwell Ltd	0	0	0	53
Torfaen Leisure Trust	(96)	(272)	(368)	108
Borough Theatre	0	0	0	5
NCS – Norse	(187)	(737)	(924)	445
NPS – Newport	0	0	0	27
Life Leisure	(209)	(763)	(972)	488
Newport Live	(230)	(617)	(847)	107
Alliance in Partnership	0	(2)	(2)	3
Glyncoed Catering	0	0	0	5
Radis	(49)	(176)	(225)	108
Arwen Cultural Trust	(6)	(21)	(27)	31
Totals	(30,823)	(106,101)	(136,924)	132,359

* This negative contribution reflects the removal of an outstanding balance. The Fund has historically treated Newport Transport as a deemed employer in the scheme and they have been assessed by the Actuary as a standalone employer without a guarantor over many years.

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During discussions with all parties regarding Newport Transport's growing debt, the Fund sought external legal advice where it became clear that their historical treatment as a standalone employer in the scheme was not in line with the original Transfer Scheme. The legal advice determined that the Fund should work with the Actuary, Newport City Council (as deemed employer) and Newport Transport to address this matter as soon as possible. Following discussions between parties, steps have been taken to rectify the historical error by writing off the debtor balance in the Fund accounts in 2021/22, with Newport Transport reverting to paying the same rate of employer contributions as Newport City Council. In addition, the Actuary will absorb the asset and liability share of Newport Transport within the Newport City Council funding position and relinquish them of any future funding risk from an LGPS perspective.

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2020/21	2021/22
£000	£000
(3,932) Individual transfers	(8,631)
(3,932)	(8,631)

9. BENEFITS PAYABLE

By category

Restated* 2020/21	2021/22
£000	£000
99,652 Pensions	102,360
19,405 Commutation of pensions and lump sum retirement benefits	25,376
2,921 Lump sum death benefits	3,105
1,204 Additional allowances	1,518
123,182	132,359

*The 2020/21 pensions figure has been restated to incorporate pension increases which were previously shown separately

By type of employer

2020/21	2021/22
£000	£000
17,223 Administering Authority	18,803
95,606 Scheduled Bodies	101,603
1,211 Deemed Bodies	1,190
9,142 Admitted Bodies	10,763
123,182	132,359

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2020/21	2021/22
£000	£000
188 Refunds to members leaving service	259
(10) Payments for members joining state scheme	(1)
5,619 Individual transfers	8,059
5,797	8,317

11. MANAGEMENT EXPENSES

2020/21		2021/22
£000		£000
1,433	Administrative costs	1,371
8,608	Investment management expenses	10,074
1,028	Oversight and governance costs	1,135
11,069		12,580

a) Investment management expenses

2021/22	Total	Management fees	Performance related fees	Transaction costs
	£000	£000	£000	£000
Pooled investments	9,511	9,194	317	-
Pooled property investments	288	288	-	-
	9,799	9,482	317	-
Custody fees	275			
Total	10,074			

2020/21	Total	Management fees	Performance related fees	Transaction costs
	£000	£000	£000	£000
Pooled investments	8,146	7,519	627	-
Pooled property investments	269	269	-	-
	8,415	7,788	627	-
Custody fees	193			
Total	8,608			

One of the Fund's external fund managers outperformed the performance benchmark agreed by the Pensions Committee. Under the terms of their mandate, outperformance during the year triggers a performance payment. The performance fee has been estimated and accrued to the year in which outperformance was earned. The rationale for increased investment management expenses during the year is the increased Assets under Management (AuM) which underpins investment management expenses.

Management expenses in 2021/22 include estimated fees since inception for the Gresham House BSI Infrastructure LP and Invesco Credit Partners (Cayman) II, L.P alternative investments. The initial capital contributions were made during 2020/21 but not all information in respect of the fees charged to the Fund was available at that time.

Transaction costs are defined as the costs incurred as a result of the acquisition and disposal of investments. Indirect transaction costs incurred within underlying holdings of pooled vehicles reduce the market value of our holding and are not a direct cost to the Fund.

12. INVESTMENT INCOME

2020/21		2021/22
£000		£000
11	Income from equities	(10)
(29,654)	Pooled investments	(32,267)
(1,782)	Pooled property investments	(1,919)
(21)	Interest on cash deposits	(13)
(31,446)		(34,209)

13. OTHER FUND ACCOUNT DISCLOSURES

Wales Pension Partnership

2020/21 £000		2021/22 £000
	WPP oversight and governance costs	
291	Operator fees	328
66	Set up and oversight costs	115
19	Host Authority costs	20
3	Transition costs (direct)	-
	WPP investment management expenses	
3,100	Fund management fees	4,160
162	Depositary and custody fees	250
3,641		4,873

For further information on costs for the WPP please refer to the Asset Pooling section on page 25.

14. INVESTMENTS

Value at 31.03.21 bid price £000		Value at 31.03.22 bid price £000
	Investment assets	
	Pooled funds	
551,496	Fixed income	529,501
811,049	ACS World Low Carbon Equity Tracker	941,307
523,783	European equity	442,506
485,367	Global equity	538,037
444,185	UK equity	497,330
269,507	Asian equity	263,198
117,157	Global emerging markets equity	105,297
253,520	Multi asset funds	294,048
5,770	Private credit	28,571
4,767	Infrastructure	22,066
3,466,601		3,661,861
	Other investments	
73,305	Pooled property investments	86,235
73,305		86,235
9,540	Cash deposits	12,518
590	Investment income due	641
10,130		13,159
3,550,036	Total investment assets	3,761,255
	Investment liabilities	
-	Amounts payable for purchases	-
-	Total investment liabilities	-
3,550,036	Total investment assets	3,761,255

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a) Reconciliation of movements in investments

Period 2021/22	Market Value 31 March 2021	Purchases during the year	Sales during the year	Investment management expenses deducted at source	Change in value during the year	Market Value 31 March 2022
	£000	£000	£000	£000	£000	£000
Pooled investments	3,466,601	241,256	(208,000)	(9,385)	171,389	3,661,861
Pooled property investments	73,305				12,930	86,235
	3,539,906	241,256	(208,000)	(9,385)	184,319	3,748,096
Other investment balances:						
• Cash deposits	9,540					12,518
• Investment income due	590					641
Net investment assets	3,550,036				184,319	3,761,255

Both M&G Financing Funds were liquidated in June 2021 so the £1.8m residual cost of investment has been written down to nil. This cost adjustment is included in the change in value of investments during 2021/22. Total distributions received from the M&G Financing Funds over the lifetime of the investment exceeded the capital contributions made; however, £4.4m distributions received as a return on investment were included in prior accounts as dividend income, which did not reduce the cost of investment.

Restated Period 2020/21	Market Value 31 March 2020	Purchases during the year	Sales during the year	Investment management expenses deducted at source	Change in value during the year	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000
Pooled investments	2,628,613	600,275	(557,987)	(8,023)	803,723	3,466,601
Pooled property investments	73,020				285	73,305
	2,701,633	600,275	(557,987)	(8,023)	804,008	3,539,906
Other investment balances:						
• Cash deposits	17,370					9,540
• Investment income due	627					590
Net investment assets	2,719,630				804,008	3,550,036

The 2020/21 table has been restated to separately disclose the custody and investment management fees charged within pooled funds that are included in Note 11a.

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b) Investments analysed by fund manager

Market value 31 March 2021			Market value 31 March 2022		
£000	%		£000	%	
Investments managed by the Wales Pension Partnership					
1,481,048	41.7	Russell Investments	1,633,870	43.4	
1,481,048	41.7		1,633,870	43.4	
1,334,833	37.7	BlackRock	1,383,814	36.8	
334,816	9.4	Invesco Perpetual	326,305	8.7	
233,713	6.6	Fidelity Worldwide Investment	151,639	4.0	
71,655	2.0	Aberdeen Standard Investments	115,597	3.1	
86	-	Lazard Asset Management	-	-	
93,885	2.6	Torfaen County Borough Council	150,030	4.0	
2,068,988	58.3		2,127,385	56.6	
3,550,036	100	Total	3,761,255	100	

The following investments represent more than 5% of the net assets of the Fund.

	Market value 31 March 2021 £000	% of total fund	Market value 31 March 2022 £000	% of total fund
WPP Global Credit Fund	277,288	7.8	265,435	7.1
WPP Global Government Bond Fund	274,208	7.7	264,066	7.0
BlackRock ACS World Low Carbon Equity Tracker	811,049	22.9	941,307	25.0
Blackrock Ascent Life European Equity Fund	523,783	14.8	442,506	11.8
WPP Global Opportunities Fund	485,367	13.7	538,037	14.3
WPP UK Opportunities Fund	444,185	12.5	497,330	13.2
Invesco Perpetual Asian Equity Fund	269,507	7.6	263,198	7.0
Total value of investments	3,550,036		3,761,255	

15. FAIR VALUE – BASIS OF VALUATION

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund does not hold any level 1 assets as all equities are held within pooled fund arrangements.

Level 2 – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data. Level 2 is deemed the most appropriate classification where an investment vehicle 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. The pooled funds, including the WPP ACS held by the Fund at the reporting date, fall into this category as they are not exchange traded and the valuations are based on the quoted prices of the underlying holdings.

Level 3 – this classification incorporates the financial assets and liabilities which are considered to be the most illiquid and hardest to value, and where fair value for these assets cannot be determined by using readily observable inputs or measures, such as market prices or models. . Instead, they are calculated using valuation techniques which are open to interpretation and detailed within the table below.

During 2021/22, the Fund continued to increase its allocation to private market assets, moving towards implementing the investment strategy agreed by the Pensions Committee. The primary objective of increasing private market exposure is to further diversify into alternative investment opportunities, reduce overall risk exposure and improving investment returns. The Fund has committed a total of £50million and \$80million to Gresham House BSI Infrastructure LP and Invesco Credit Partners (Cayman) II, L.P respectively. In 2021/22, the Fund made capital contributions to both funds, increasing the valuation of Level 3 assets to an estimated £50.637million by 31st March 2022 from £10.537million as of 31st March 2021.

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The valuation basis for each category of investment is set out below:

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments - equity funds UK and overseas	Level 2	The NAV is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Pooled investments – fixed income funds UK and overseas	Level 2	The NAV is calculated based on the market value of the underlying fixed income securities.	Evaluated price feeds	Not required
Pooled investments – multi asset funds	Level 2	The NAV is calculated based on the market value of the underlying investments and financial instruments.	Evaluated price feeds	Not required
Pooled investments – property funds	Level 2	Closing bid price where bid and offer prices are published, closing single price where single price published.	A combination of the comparable method of valuation and the residual method of valuation.	Not required
Pooled investments – private credit funds	Level 3	Valuation techniques are used in accordance with U.S. GAAP to measure fair value that is consistent with market approach and/or income approach, depending on the type of security and the circumstance.	Private investments are fair valued initially based upon transaction price excluding expenses. The market approach uses prices generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.	Valuations could be affected by changes to expected cash flows or by differences between audited and unaudited accounts.
Pooled investments – infrastructure fund	Level 3	Valuations are based on expected future cash flows, using reasonable assumptions and forecasts for revenues, operating costs, macro-level factors and an appropriate discount rate.	The cost of assets under construction is used to indicate fair value following IPEV guidelines as the portfolio is immature. Unobservable inputs are derived from the best information available in the circumstances, considering all information reasonably available.	Valuations could be affected by changes to expected cash flows or by differences between audited and unaudited accounts.

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Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022 and 31 March 2021.

	Potential variation in fair value (+/-)	Value at 31 March 2022 £000	Potential value on increase £000	Potential value on decrease £000
Pooled investments – private credit	9.04	28,571	31,154	25,988
Pooled investments – infrastructure	14.60	22,066	25,288	18,844
Total		50,637	56,442	44,832

	Potential variation in fair value (+/-)	Value at 31 March 2021 £000	Potential value on increase £000	Potential value on decrease £000
Pooled investments – private credit	4.61	5,770	6,036	5,504
Pooled investments – infrastructure	22.10	4,767	5,821	3,713
Total		10,537	11,857	9,217

a) Fair value hierarchy

The following tables provide an analysis of the assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable. This excludes cash deposits and other investment balances and liabilities.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss	-	3,697,459	50,637	3,748,096
Net investment assets	-	3,697,459	50,637	3,748,096

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss	-	3,529,369	10,537	3,539,906
Net investment assets	-	3,529,369	10,537	3,539,906

b) Transfers between levels 1 and 2

No transfers took place in the financial year ending 31 March 2022.

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c) Reconciliation of fair value measurements within level 3

	Alternatives Infrastructure Fund £000	Alternatives Direct Lending £000	Total £000
Value at 31 March 2021	4,767	5,770	10,537
Transfers into level 3	-	-	-
Transfers out of level 3	-	-	-
Capital calls (purchases)	12,927	18,411	31,338
Return of investment (sales)	-	-	-
Unrealised gains and losses	4,372	4,390	8,762
Realised gains and losses	-	-	-
Value at 31 March 2022	22,066	28,571	50,637

	Alternatives Infrastructure Fund £000	Alternatives Direct Lending £000	Total £000
Value at 31 March 2020	-	3	3
Transfers into level 3	-	-	-
Transfers out of level 3	-	-	-
Capital calls (purchases)	4,371	5,767	10,138
Return of investment (sales)	-	-	-
Unrealised gains and losses	396	-	396
Realised gains and losses	-	-	-
Value at 31 March 2021	4,767	5,770	10,537

16. FINANCIAL INSTRUMENTS

a) Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
31 March 2021				31 March 2022		
£000	£000	£000		£000	£000	£000
Financial Assets						
3,466,601			Pooled investments	3,661,861		
73,305			Pooled property investments	86,235		
	9,540		Cash		12,518	
590			Other investment balances	641		
	12,572		Debtors		13,928	
3,540,496	22,112	-		3,748,737	26,446	-
Financial liabilities						
		(5,368)	Creditors			(7,116)
-	-	(5,368)		-	-	(7,116)
3,540,496	22,112	(5,368)	Total	3,748,737	26,446	(7,116)
3,557,240				3,768,067		

b) Net gains and losses on financial instruments

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

31 March 2021		31 March 2022
£000		£000
Financial assets		
804,008	Fair value through profit and loss	184,319
	- Amortised cost – realised gains on derecognition of assets	-
	- Amortised cost – unrealised gains	-
Financial liabilities		
	- Fair value through profit and loss	-
	- Amortised cost – realised losses on derecognition of assets	-
	- Amortised cost – unrealised losses	-
804,008	Total	184,319

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). 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 Fund manages these investment risks as part of its overall pension fund risk management programme.

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

Overall procedures for managing risk

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require an Administering Authority to invest, in accordance with its investment strategy, any pension fund money that is not needed immediately to make payments from the pension fund. The unpredictability of financial markets means that all forms of investment carry a degree of risk. The Fund therefore needs to be risk aware within its investment strategy, implementation and monitoring to ensure it meets one of its primary objectives - to maximise the returns from its investments within reasonable risk parameters.

The Fund prepares statutory documents detailing its investment strategy and how it implements and monitors this. The Fund's Investment Strategy Statement (ISS) specifically sets out the Fund's policy on the type of investments to be held; investment restrictions and limits; the balance and diversification between these and the detail of the Fund's investment management arrangements in implementing its strategy. The ISS also includes a specific section on how the Fund measures and manages the different types of risks it faces. This is analysed as required by investment regulations across the headings of Funding Risk, Asset Risk and Other Provider Risk. The following summary from the relevant section of the current ISS summarises how the Fund seeks to reduce these risks to a minimum where it is possible to do so without compromising returns:

Funding risks

- Financial mismatch - The risk that pension fund assets fail to grow in line with the developing cost of meeting the liabilities.
- 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 the fund's liabilities.

The Fund manages these funding risks by: -

- Setting a strategic asset allocation benchmark that considers asset liability modelling focused on probability of success and level of downside risk.
- Assessing risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to this.
- Seeking to understand the assumptions used in any analysis and modelling (including that relating to the demographics of its liabilities) so they can be compared to the Fund's own views and the level of risks associated with these assumptions.
- Seeking to mitigate systemic risk through a diversified portfolio.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the pension fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk - The risk that the currency of the fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance ('ESG') - The risk that ESG related factors reduce the fund's ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Fund measures and manages these Asset risks by: -

- Setting a strategic asset allocation benchmark that ensures investment in a diversified range of asset classes. Regular monitoring and review of this allocation ensures that the Fund's 'actual allocation' does not deviate substantially from its target.
- Investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk.
- Investing across a range of assets, including liquid quoted equities and bonds, as well as property, and recognising the need for access to liquidity in the short term.
- Investing in a range of overseas markets which provides a diversified approach to currency markets.
- Documenting within the ISS its approach to managing ESG risks.
- Considering the risk of underperformance by any single investment manager and attempting to reduce this risk by appointing more than one manager and, where market conditions are deemed supportive, having a proportion of the Scheme's assets managed on a passive basis.
- Formally assessing the Fund's managers' performance on a quarterly basis, and taking steps, including potentially replacing managers, if underperformance persists.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the pension fund seeks suitable professional advice.
- 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.
- Stock-lending - The possibility of default and loss of economic rights to fund assets.

The Fund measures and manages these Other Provider risks by: -

- Monitoring and managing these risks through a process of regular scrutiny of its providers
- Audit of the operations the provider conducts for the Fund, or the delegation of such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).
- Retaining the power to replace a provider should serious concerns exist.

The full version of the Investment Strategy Statement is available on the Pension Fund's website: <https://www.gwentpensionfund.co.uk/forms-and-publications/investment-strategy-statement/>

a) 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 strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

The pension fund's funding position is sensitive to market price changes on two levels. Changes in the market price of investments such as equities, affect the net assets available to fund promised member benefits. Changes in the yields (and thus price) of bonds, as well as affecting asset values, also affect the value placed on the pension fund's liabilities within its overall funding calculations.

The Fund's investment strategy requires it to maximise the returns from its investments within reasonable risk parameters and, to achieve the level of investment return required, the strategy requires a significant level of equity investment. Though it is recognised that the risk levels (price volatility) will be greater for equities than bonds, the strategy recognises the longer-term belief that equities will out-perform bond holdings. The Fund does however take steps to manage this market risk as noted below: -

- LGPS investment regulations set restrictions on the type of investments funds can hold. The statutory Investment Strategy Statement (ISS) requires each fund to implement its own prudential framework, requiring a diversified prudent approach to managing market risk.
- The Fund has a diversified strategic asset allocation which is monitored to ensure the diversification levels are within acceptable tolerances of the strategy and the reasons for any deviation understood.
- The asset allocation is designed to diversify risk and minimise the impact of poor market performance in a particular asset class.
- The Fund's investment portfolio is further diversified by geographical region; investment manager; manager style etc. to further optimise the diversification of both return and risk.
- The Fund's ISS also defines the limits/parameters that the Fund can hold in any one security and the Fund's investment managers monitor their portfolio daily to ensure that these limits, designed to further minimise market risk, are not breached.

The above provides a general overview of the potential impact of market risk and how the Fund looks to manage these risks. The following sections provide some further detail of this across the 3 principal areas of market risk – asset price, interest rates and currency.

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 by factors affecting all such instruments in the market.

The Fund is exposed to indirect UK/Overseas share and bond price risk within its pooled fund holdings. The risks arise from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The selection of investments is controlled and monitored by the council relative to limits specified by the Fund's investment strategy and the Fund's investment managers further mitigate this risk through diversification and by investing in line with the confines of the Fund's Investment Strategy Statement.

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Other price risk – sensitivity analysis

In consultation with its actuary, the Fund has determined that the following movements in market price risk are reasonably possible for 2022/23.

Asset type	Potential 1 Year market movement (+/-)
Total Fund	15.11%
UK equities	19.86%
Overseas equities	20.12%
Government Bonds (medium term)	6.77%
Corporate Bonds (medium term)	8.09%
Pooled property investments	14.97%
Alternatives (absolute return)	9.11%
Alternatives (direct lending)	9.04%
Alternatives (infrastructure)	14.60%
Cash	0.30%

The total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory. It however disregards any long-term investment value appreciation from the assets noted. To provide some context to this, the Fund actuary's recent view on long term positive performance assumptions of the various asset classes in which the Fund invests are noted within the table below:

Asset type	Long term performance assumptions (20 years) p.a. (+)
UK equities	6.2%
Overseas equities	6.1%
Government Bonds (medium term)	1.5%
Corporate Bonds (medium term)	2.1%
Pooled property investments	5.0%
Alternatives (absolute return)	4.9%
Alternatives (direct lending)	4.3%
Alternatives (infrastructure)	6.5%
Cash	2.4%

Ignoring the potential for long term positive performance, however, and considering potential market price changes only, should the market price of the fund investments increase/decrease in line with the potential market movements noted above, the change in the net assets available to pay benefits would be as shown in the table below. The Fund has used the services of its actuary to calculate the potential sensitivity levels within this section of the accounts.

Asset type	Value as at 31 March 2022 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash	13,159	0.30	13,198	13,120
Investment portfolio assets:				
UK equities	497,330	19.86	596,100	398,560
Overseas equities	2,290,345	20.12	2,751,162	1,829,528
Government bonds	264,066	6.77	281,943	246,189
Corporate bonds	265,435	8.09	286,909	243,961
Pooled property investments	86,235	14.97	99,144	73,326
Alternatives (absolute return)	294,048	9.11	320,836	267,260
Alternatives (direct lending)	28,571	9.04	31,154	25,988
Alternatives (infrastructure)	22,066	14.60	25,288	18,844
Total Fund	3,761,255		4,405,734	3,116,776

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Asset type (restated)	Value as at 31 March 2021 £000	Potential market movements %	Potential value on increase £000	Potential value on decrease £000
Cash*	10,130	0.32	10,162	10,098
Investment portfolio assets:				
UK equities	444,185	16.72	518,453	369,917
Overseas equities	2,206,863	17.36	2,589,974	1,823,752
Government bonds	274,208	7.26	294,116	254,300
Corporate bonds	277,288	7.99	299,443	255,133
Pooled property investments	73,305	14.23	83,736	62,874
Alternatives (absolute return)	253,520	11.95	283,816	223,224
Alternatives (direct lending)	5,770	4.61	6,036	5,504
Alternatives (infrastructure)	4,767	22.10	5,821	3,713
Total Fund	3,550,036		4,091,557	3,008,515

*The 2020/21 cash figure has been restated to include investment income due

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. The Fund's actuary has suggested that a +/- 100bps (1%) change in interest rates is sensible for the interest rate risk sensitivity analysis. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

Interest rate risk - sensitivity analysis

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. The analysis demonstrates that an increase in the interest rate does not affect the interest received on fixed interest assets, but it does result in a decrease in the value of the bond portfolio and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

Exposure to interest rate risk	Asset Values as at 31 March 2022 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash	13,159	13,159	13,159
LF Wales PP Global Government Bond Fund*	264,066	246,638	281,495
LF Wales PP Global Credit Fund*	265,435	247,386	283,485
Total	542,660	507,183	578,139

Exposure to interest rate risk (restated)	Asset Values as at 31 March 2021 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash	10,130	10,130	10,130
LF Wales PP Global Government Bond Fund*	274,208	252,545	295,870
LF Wales PP Global Credit Fund*	277,288	259,264	295,312
Total	561,626	521,939	601,312

*Sensitivity analysis for fixed income funds is calculated by the Fund's actuary based on the duration of components within the Fund's bond portfolios, obtained from the fund managers

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Exposure to interest rate risk	Interest receivable 2021/22 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash on deposit	13	13	13
Bonds	-	-	-
Total	13	13	13

Exposure to interest rate risk	Interest receivable 2020/21 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash on deposit	21	21	21
Bonds	-	-	-
Total	21	21	21

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

In terms of currency risk however it is important to note that the Fund's investments are diversified across all of the world's major markets and currencies and, as one currency may fall in value, another will increase. This fact in itself is seen as a major element of intrinsic risk control within the Fund's overseas investments.

In terms of indirect, sterling denominated pooled funds therefore, the following table summarises the value of the Fund's potential underlying currency exposure for the last two financial years. Following analysis of historical data by the Fund's Actuary, the 1 year expected standard deviation for an individual currency as at 31 March 2022 is 9.5% (9.8% as at 31 March 2021). This assumes no diversification with other assets and, in particular, that interest rates remain constant. A 9.5% 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:

Currency risk - sensitivity analysis

Assets exposed to currency risk	Asset value as at 31 March 2022 £000	Potential market movement %	Value on increase £000	Value on decrease £000
Overseas equities	2,290,345	9.5	2,507,928	2,072,762
Overseas government bonds*	253,900	9.5	278,021	229,780
Overseas corporate bonds*	238,122	9.5	260,744	215,500
Global Absolute Return Strategies Fund	115,597	9.5	126,579	104,615
Global Targeted Returns Fund	63,107	9.5	69,102	57,112
Multi Asset Income Fund	115,344	9.5	126,302	104,386
Private Credit Fund	28,571	9.5	31,285	25,857
Total change in assets available to pay benefits	3,104,986		3,399,961	2,810,012

*Overseas exposure in bond funds based on valuations and regional asset allocation as at 31 March 2022

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Assets exposed to currency risk	Asset value as at 31 March 2021 £000	Potential market movement %	Value on increase £000	Value on decrease £000
Overseas equities	2,206,863	9.8	2,423,136	1,990,590
Overseas government bonds*	255,836	9.8	280,908	230,764
Overseas corporate bonds*	231,535	9.8	254,225	208,845
Global Absolute Return Strategies Fund	71,655	9.8	78,677	64,633
Global Targeted Returns Fund	65,309	9.8	71,709	58,909
Multi Asset Income Fund	116,556	9.8	127,978	105,134
Private Credit Fund	5,768	9.8	6,333	5,203
Total change in assets available to pay benefits	2,953,522		3,242,966	2,664,078

*Overseas exposure in bond funds based on valuations as at 31 March 2021 and regional asset allocation as at 31 December 2020

b) Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this risk are investment assets and cash deposits. The selection of high-quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk. The pension fund reviews its exposure to its investment manager, credit, and counterparty risk by the review of the managers' annual internal control reports. These documents are themselves subject to independent review by the investment managers' own appointed auditors to help provide assurance that managers exercise reasonable care and due diligence in its activities for the pension fund, such as in the selection and use of brokers. The most tangible element of credit risk faced by the Fund is however in the form of its cash investments placed with banks and other financial institutions. These investments are managed in-house and, in order to minimise the credit risk in respect of these investments, a specific Cash Management Strategy is annually put before the Pensions Committee for their consideration and approval followed by regular review.

The Pension Fund's Cash Management Strategy sets out the type and minimum acceptable criteria for investments; the institutions with which they can be placed; the maximum value that can be placed with each institution and the maximum period for which money can be invested. The strategy references and details the Fund's processes and procedures in terms of its cash management and how specialist external advice is used within the process. In terms of this external advice then the pension fund utilises the services of Arlingclose for formulating and monitoring the Fund's list of approved counterparties. Arlingclose use a comprehensive method of assessing counterparty's credit ratings which includes overlaying the three credit rating agencies' scores with additional data, relative to each institution, such as rating watches and CDS spreads where available to advise of a maximum suggested investment period with that counterparty. The Fund believes that it has, through a continuing difficult period for financial markets and institutions, adequately managed its exposure to credit risk. The Fund has experienced no defaults from fund managers, brokers, or bank accounts.

The Fund's cash holding under its treasury management arrangements at 31 March 2022 was £12.517million (31 March 2021 was £9.480million) and this was held with institutions as follows:

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Cash on deposit with financial institutions	Rating (Fitch Long Term) (at 31 March 2022)	Balances as at 31 March 2021 £000	Balances as at 31 March 2022 £000
Money Market Funds			
Aberdeen Liquidity	AAA	6,300	6,000
Blackrock	AAA	1,500	2,000
Deutsche	AAA	2,000	2,500
SSgA Sterling Liquidity	AAA	0	2,000
Bank Current Accounts			
TCBC Pension Fund		(320)	17
Total		9,480	12,517

c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The main risk for the pension fund is not having the funds available to meet its commitments to make pension payments to its members. To manage this risk, the Fund monitors its cash flow to ensure that cash is available when needed.

The Fund further manages its liquidity risk by maintaining its cash investments within money market funds allowing same day access to cash deposited without penalty. Indeed, at 31 March 2022, all pension fund cash balances were spread across such immediate access accounts. The Fund still retains the option to invest within fixed term deposits but, in accordance with the cash management strategy, these must currently be of maximum 6 months duration and placed with UK banks. At any point in time the whole of the Fund's cash investments can therefore be deemed to be reasonably liquid in that they could be 100% redeemed within a six-month period if required.

In practice, however, the vast majority of cash deposits will be available to a much shorter timescale, as demonstrated at the year-end when all cash deposits were immediately available should this have been required. The Fund monitors and manages the timing of its cash flows on both an operational and a longer-term strategic basis. The strategic profile of the Fund continues to show that the Fund's cash flow is broadly positive with contributions (including dividend income) being received exceeding the value of benefits paid out. This excess is diminishing year on year but continues to be appropriately monitored in a strategic sense. With the Fund remaining broadly cash generative the Fund has again been comfortable (documented via its cash management strategy) to allow cash levels to float around or below a 1% level during the 2021/22 financial year.

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. Both the Fund and its managers are however aware of the very low interest rates available on cash deposits and therefore the desire is to be as fully invested as possible in higher yielding assets whilst ensuring adequate liquidity to meet cash commitments when they fall due.

Refinancing risk

The key risk is that the pension fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The pension fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

18. FUNDING ARRANGEMENTS

18.1 In line with the Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022.

The key elements of the Funding Strategy Statement (FSS) are:

- 1) to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- 2) to ensure that employer contribution rates are as stable as possible
- 3) to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- 4) to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so and
- 5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

18.2 The Fund, through its governance arrangements and discussion with the appointed Actuary, produce a FSS which focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities.

18.3 The Actuarial valuation that affected these accounts was carried out as at 31 March 2019. That valuation showed that the employers would need to pay different contributions to the Fund from 1 April 2020 until 31 March 2023. The primary contribution rate is 19.2% of pensionable pay. Individual employer rates vary from the common rate depending on demographic and actuarial factors particular to each employer. Members' contribution rates range from 5.5% to 12.5% depending on their salary.

18.4 The contribution rates for the unitary councils with effect from 1 April 2021 were as follows: -

Blaenau Gwent	Greater of a) 17.8% plus £2,508,000 or b) 23.5%
Caerphilly	Greater of a) 19.9% plus £3,880,000 or b) 21.5%
Monmouth	Greater of a) 18.2% plus £2,424,000 or b) 23.1%
Newport	Greater of a) 17.7% plus £2,463,000 or b) 21.2%
Torfaen	Greater of a) 17.9% plus £2,850,000 or b) 23.2%

Full details of the contribution rates payable can be found in the 2019 Actuarial Valuation report and the Funding Strategy Statement in the 'Funding' section on the Fund's website:

<https://www.gwentpensionfund.co.uk/forms-and-publications/valuation-report/>

These rates of contribution are the rates which, in addition to the contributions paid by the members, are sufficient to meet:

- 100% of the pension liabilities, plus;
- An adjustment over a long period to reflect the shortfall in our share of the Fund's assets and future pay increases.

18.5 The market value of the Fund's assets as at the 2019 valuation was £2,929million. At the valuation date, the Fund's liabilities exceeded the assets by £478million giving a revised funding level of 86% (the funding level at the 2016 valuation was 72%) and the funding deficit declined in monetary terms (£850million). The main reason for the improvement in the funding position was the positive investment returns during the period.

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18.6 The Actuary (Hymans Robertson) has used a Risk Based Method for this valuation. For the majority of employers, the contribution rates which apply are based upon recovery of the deficit over a maximum period of 20 years. Another revaluation of the Fund will take place as at 31 March 2022.

18.7 The financial assumptions adopted by the Actuary were as follows: -

	Funding Target
Discount Rate	4.0%
Pensionable pay increases	2.6%
Pension increases	2.3%

18.8 The demographic assumptions employed by the Actuary were complicated and dealt with rates of withdrawal from the scheme, mortality for both active and retired members and commutations. Further details are provided in the full Actuarial Valuation report that can be found on the pension fund's website: -

<https://www.gwentpensionfund.co.uk/forms-and-publications/valuation-report/>

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

19.1 The Code 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 IAS19 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 2022 (the 31 March 2021 assumptions are included for comparison).

	31 March 2021	31 March 2022
Discount rate (return on investments)	2.0% per annum	2.7% per annum
Rate of salary increases	3.15% per annum	3.5% per annum
Rate of increase in pensions	2.85% per annum	3.2% per annum

19.2 The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020: -

<https://www.gwentpensionfund.co.uk/forms-and-publications/valuation-report/>

19.3 During the year, investment returns have been greater than expected compared to last year's assumption and this has led to a positive return for IAS26 purposes (2.7% p.a. versus 2.0% p.a.). The expected long-term rate of CPI inflation (RPI-CPI gap) increased during the year, resulting in an increase in the assumption for pension increases (3.2% p.a. versus 2.85% p.a.). The other experience items show a small loss in applying the Pensions Increase Order for 2022 as it was higher than the assumption used in the obligations at the start of the period.

19.4 The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2021 was estimated as £6,100million. The impact of the changes in financial assumptions between 31 March 2021 and 31 March 2022 as described above is to decrease the fund liabilities by £485million. There are also changes to demographic and longevity assumptions, which have further decreased the liabilities by £32million. Other changes, such as allowing for new benefits accrued over the period, which are partially offset by the impact of pensions paid out and a small reduction due to the actual pension increases being lower than assumed, increased the liabilities by an additional £296million.

19.5 The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £5,879million.

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20. CURRENT ASSETS

31 March 2021 £000		31 March 2022 £000
	Short term debtors	
2,404	Contributions due - employees	2,887
8,445	Contributions due - employers	9,570
10,849		12,457
1,048	Early retirement costs	1,041
383	Fund manager fee rebates	281
292	Sundry debtors	149
12,572		13,928

a) Funding of early retirement costs

During 2021/22 the cost to the pension fund of early retirements arising in the year was £1,170,075 which is paid by the employers in instalments over periods of up to five years. The cost includes the extra years of pension payments as a result of employees retiring early. The cost of early retirements is worked out by specialist computer software and is recovered from the respective employers. The Actuary has reflected this approach in the contribution levels.

The amounts included within the accounts are the instalments that are due in 2021/22 and in future financial years for early retirements known as at 31 March 2022. These are summarised in the following table: -

	£000	£000
Instalments falling due in 2021/22 in respect of:		
Prior Years	411	
Current Year	997	1,408
Balances b/f 1 April 2021	1,048	
Payments Received in 2021/22	(1,182)	
Reversal of previous instalments due	(1,032)	(1,166)
Instalments due for 2022/23	333	
Instalments due for 2023/24 & later years	466	799
2021/22 Debtor		1,041

The instalments due for 2021/22 and future years have been included in accordance with the guidance notes issued with the Code of Practice on Local Authority Accounting 2021/22.

21. CURRENT LIABILITIES

31 March 2021 £000		31 March 2022 £000
(3,173)	Benefits payable	(5,393)
(1,972)	Management expenses	(1,542)
(223)	Sundry creditors	(181)
(5,368)		(7,116)

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

22.1 Members of the pension fund may pay additional voluntary contributions (AVCs) to obtain improved benefits on retirement. Torfaen County Borough Council is prevented by regulations from consolidating the amounts of AVC investments into the published Fund accounts. However, as the administering authority we oversee the following AVC arrangements.

Market value 31 March 2021	AVC provider	Market value 31 March 2022
£000		£000
4,228	Standard Life	4,308
1,690	Clerical Medical	1,742
810	Utmost Life and Pensions (previously Equitable Life)	662
6,728		6,712

Contribution Received 31 March 2021	AVC provider	Contribution Received 31 March 2022
£000		£000
512	Standard Life	517
173	Clerical Medical	183
1	Utmost Life and Pensions (previously Equitable Life)	1
686		701

The above AVC investments are excluded from the financial statements of the Greater Gwent (Torfaen) Pension Fund in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

23. AGENCY SERVICES

23.1 The Pensions Section make the following payments in respect of unfunded pensions benefits and unfunded teachers benefits. These payments relate to additional benefits granted to employees on retirement by their employer and are recovered from the employer.

31 March 2021	Payments on behalf of: -	31 March 2022
£000		£000
9	Central Government	10
8,654	Other Local Authorities	8,314
22	Other entities and individuals	22
8,685		8,346

24. RELATED PARTY TRANSACTIONS

24.1 In the course of fulfilling its role as administering authority, Torfaen CBC provide services to the Fund. Costs are normally in respect of those staff employed in ensuring the pension service is delivered and are included in the accounts within management expenses (Note 11, page 78). Related parties to the pension fund include all employers within the Fund and members of the Pensions Committee. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party.

24.2 Governance

Five members of the Pensions Committee are active members of the Fund, with one of those members also being in receipt of a pension. Every member of the Pensions Committee is required to declare their interest at each meeting.

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24.3 Key management personnel

There are two employees of Torfaen CBC who hold key positions in the financial management of the Fund. They are the Assistant Chief Executive (Resources) and the Head of Pensions. The proportion of their time allocated to the management of the Fund is 10% and 100% respectively. Total remuneration payable for 2020/21 and 2021/22 is set out below for their time apportioned to the Fund.

31 March 2021	31 March 2022
£000	£000
80 Short-term benefits	70
(582) Post-employment benefits	(340)
- Termination Benefits	-
(502)	(270)

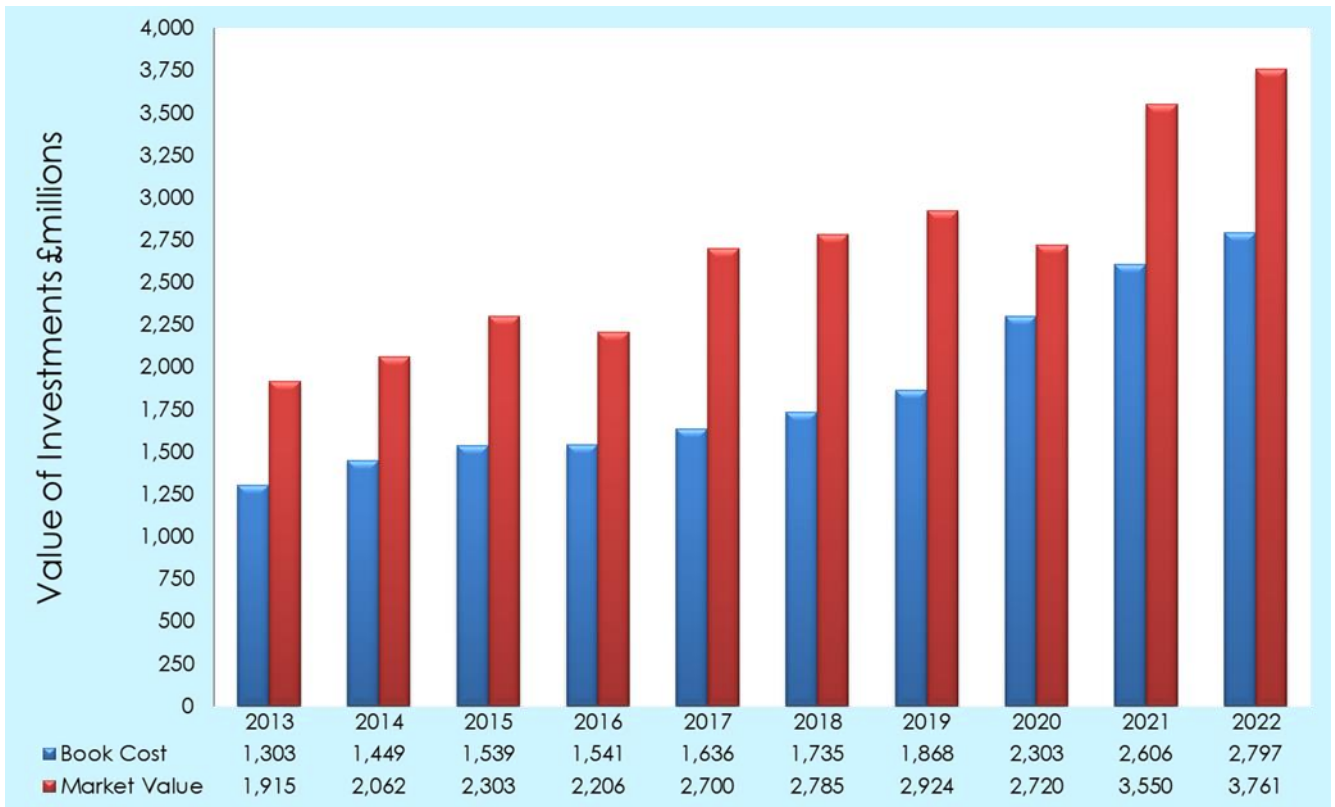
Please note that within the post-employment benefits earned in the table above, the values present the movements between financial periods relating to key management personnel as required by the code. During 2020/21, following the retirement of the former Head of Pensions, an additional post-employment benefit was reflected in the disclosure taking account of the Investment Manager's time spent supporting the financial management of the Fund. During 2021/22, the former Investment Manager was appointed Head of Pensions and the post-employment benefits have now reverted to two senior officers and the decrease in value during the period reflects this.

Appendices

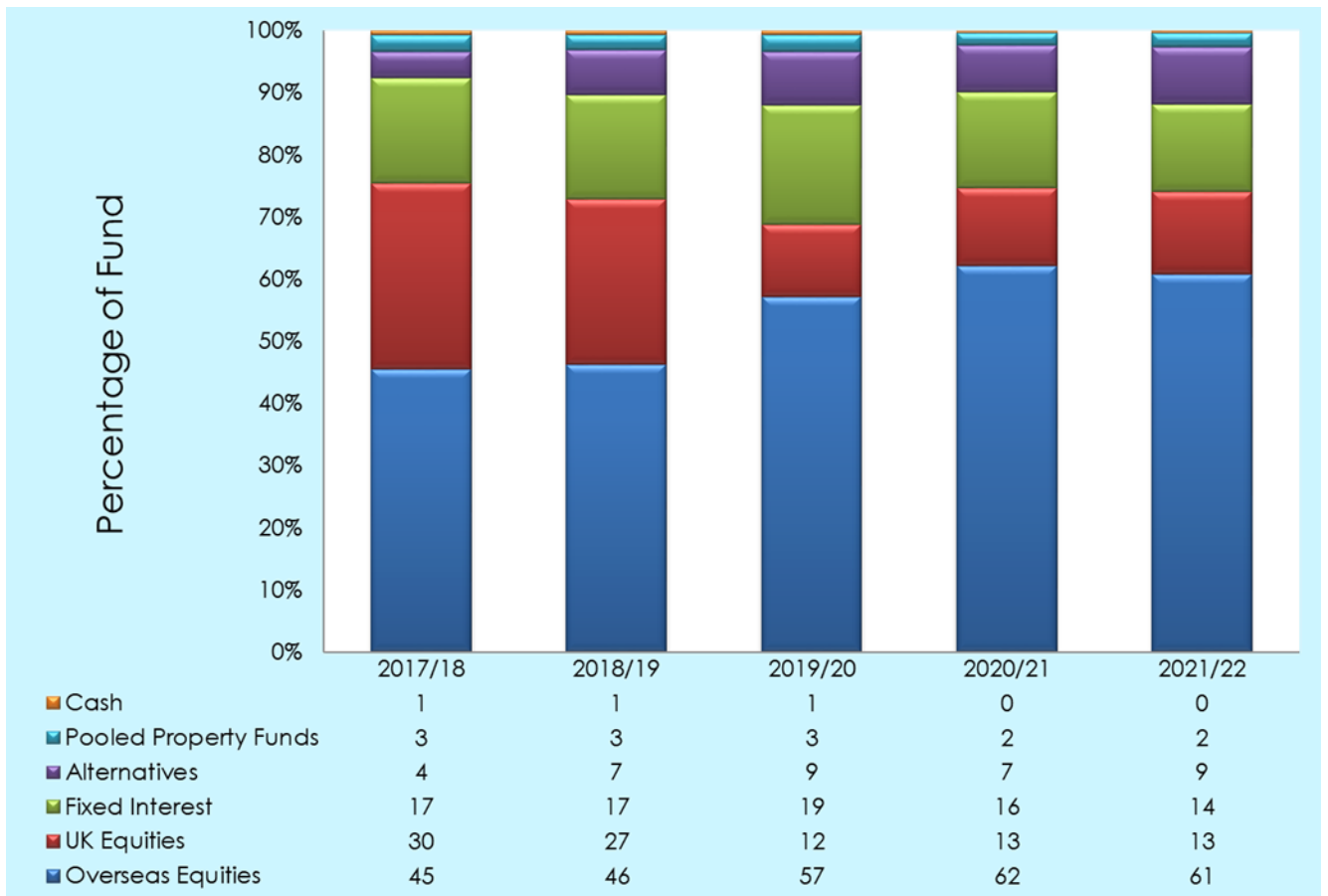
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Appendix 1

Ten Year Valuation of Investments



Tactical Asset Allocation



Ten Year Summary of Statistics

Revenue Account	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Contributions	101,028	109,666	104,655	103,450	107,205	114,118	118,047	129,790	130,301	136,924
Transfer Values Received	4,942	7,946	5,318	9,277	5,573	5,704	6,280	7,939	3,932	8,631
Investment Income and Other	20,659	26,095	20,800	17,772	19,283	21,318	27,215	18,893	31,446	34,209
Total Income	126,629	143,707	130,773	130,499	132,061	141,140	151,542	156,622	165,679	179,764
Pensions and Other Benefits	88,856	95,175	102,179	109,229	108,881	111,419	118,602	123,185	123,182	132,359
Transfer Values Paid	6,303	3,177	49,692	9,377	7,138	7,553	7,576	6,512	5,619	8,059
Refunds of Contributions	5	8	149	239	248	250	266	272	178	258
Fees and Other	6,642	8,709	9,403	9,205	8,933	9,366	9,550	10,503	11,069	12,580
Total Expenditure	101,806	107,069	161,423	128,050	125,200	128,588	135,994	140,472	140,048	153,256
Net Surplus for Year	24,823	36,638	(30,650)	2,449	6,861	12,552	15,548	16,150	25,631	26,508
Net Profit/(Loss) on Sale of Investments	14,317	119,325	75,822	30,736	99,726	80,416	117,298	421,489	277,203	164,416
Unrealised Change in Market Value	218,496	1,124	150,940	(99,529)	387,623	(1,776)	5,310	(639,014)	526,805	19,903
Increase/(Decrease) in the Fund	257,636	157,087	196,112	(66,344)	494,210	91,192	138,156	(201,375)	829,639	210,827
Investment Assets	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Book Cost at 31 March	1,302,617	1,449,212	1,538,838	1,540,889	1,635,895	1,734,570	1,867,699	2,302,779	2,605,923	2,797,056
Market Value at 31 March	1,914,788	2,062,483	2,303,073	2,205,596	2,700,194	2,785,140	2,923,582	2,719,630	3,550,036	3,761,255
Membership										
Contributors	20,582	22,435	22,880	23,607	22,788	23,991	23,932	24,200	24,539	25,015
Pensioners	14,296	14,820	15,204	15,816	16,388	16,848	17,533	18,299	18,718	19,474
Number of Preserved Benefits	13,180	14,359	15,153	16,058	18,068	18,455	18,749	18,621	18,685	18,963
Total	48,058	51,614	53,237	55,481	57,244	59,294	60,214	61,120	61,942	63,452