



Powys

**CRONFA BENSIWN
POWYS
PENSION FUND**

Funding Strategy Statement

December 2025

Contents

Purpose of the Fund and the FSS.....	3
Introduction.....	3
Aims and objectives of the FSS.....	3
Monitoring and review of the FSS	5
Key Funding Principles	6
Funding target	6
Managing risk	7
Main actuarial assumptions	7
Link to Investment Strategy Statement.....	10
Setting employer contributions	10
Monitoring employer covenant	13
Link to Administration Strategy.....	13
Employer events	15
Joining the Fund.....	15
Exit of an employer from the Fund	16
Bulk transfers	17
Appendix 1: Key Risks	18
Appendix 2: Groups / Pooling	22
Appendix 3: Roles and responsibilities	23
Appendix 4: Glossary.....	25

Purpose of the Fund and the FSS

Introduction

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

It has been prepared by Powys County Council (the Administering Authority) in collaboration with the Fund Actuary, Aon Solutions UK Limited, and after consultation with officers, Pensions and Investment Committee members, the Fund's employers and is effective from the date of issue of this statement.

The FSS has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and the guidance jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG). In addition, the Administering Authority has had regard to the Investment Strategy Statement, the supplementary statutory guidance issued by MHCLG: "Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements", and has also considered the Scheme Advisory Board's "Guide to Employer Flexibilities".

A summary of the roles and responsibilities of the key parties is included as Appendix 3 to this document.

A glossary of terms is included as Appendix 4 to this document.

If you have any queries on the contents of this FSS or require a paper copy of the document, please contact:

Pension Fund Manager: Chris Hurst

Email: chris.hurst@powys.gov.uk

Aims and objectives of the FSS

The purpose of the Fund is to collect and invest monies in respect of contributions, transfer values and investment income, and pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the Investment Regulations).

The Administering Authority has a fiduciary duty to act in the best interests of the pension fund members and the participating employers. This means the Administering Authority will act in line with relevant legal requirements and make delegated decisions rationally and reasonably taking into account all affected parties.

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

- Establishes a clear and transparent funding strategy, specific to the Fund, to meet employer's pension liabilities going forward.
- Aims to meet the regulatory requirement in relation to the desirability of maintaining as nearly constant a primary contribution rate as possible.
- Ensures the regulatory requirement to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met.
- Takes a prudent longer-term view of funding the Fund's liabilities.

noting that whilst the funding strategy applicable to individual employers or categories of employers must be reflected in the FSS its focus should at all times be on those actions which are in the best long-term interests of the Fund.

Benefits payable under the Fund are set out in the Regulations. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The aims of the Fund in relation to the funding strategy include:

Solvency and long term cost efficiency

Securing solvency and long term cost efficiency is a regulatory requirement.

The Fund's solvency should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers.

We set out detail of how the Fund meets these requirements in the section "Key Funding Principles".

The Fund's compliance with these requirements is assessed and reported following each Actuarial Valuation through the Government Actuary's Department independent review of the Actuarial Valuation outcomes and approach under Section 13 of the Public Service Pensions Act.

Management of liabilities and payment of benefits

The Administering Authority recognises the need to ensure that sufficient funds are available to meet all benefits (including pensions, transfer values, costs, charges and other expenses) as they fall due for payment. It is the Administering Authority's policy that such expenditure is met, in the first instance, from incoming employer and employee contributions to avoid the expense of disinvesting assets. The Administering Authority monitors the position on a regular basis to ensure that all cash requirements can be met.

Management of employer liabilities and stability of employer contributions

The Administering Authority seeks to ensure that all employers' liabilities are managed effectively. In a funding context, this is achieved by:

- seeking regular actuarial advice
- ensuring that employers are properly informed and consulted
- regular monitoring of the funding position and the outlook for employers' contributions
- appropriate segregation of employers for funding purposes

The Administering Authority aims to manage employers' liabilities effectively through regular review of contributions at triennial Actuarial Valuations and additional contributions for early retirement. At such reviews, regard will be given to the desirability of maintaining stability of employer contributions, subject to the Administering Authority not taking undue risks, and at reasonable cost to the taxpayers and employers.

Link to investment strategy

The Fund seeks to maximise the returns from investments within reasonable risk parameters.

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

Risk profile of the Fund

The Administering Authority takes a risk-based approach to valuing the liabilities, which considers the liability and asset risk when setting the funding assumptions and employer contribution rates.

The Administering Authority considers employer risk by monitoring employer covenant, and allowing for different types of employers when setting contribution rates.

This is explained in more detail in the Key Funding Principles section of this FSS.

Integrated funding framework

The FSS together with the Fund's investment strategy and employer risk monitoring framework ensure an integrated approach to funding strategy and risk management supporting the Fund in meeting the Regulatory funding requirements.

The Fund's governance framework and decision-making processes is set out in the [Governance Policy and Compliance Statement](#). The Pensions and Investment Committee is responsible for setting the funding strategy as set out in the FSS. Other responsibilities relating to the implementation of the strategy, including ensuring the Actuarial Valuation is

completed within the required timescales and in line with the Regulations, are delegated to the officers.

Monitoring and review of the FSS

The Administering Authority undertook its latest substantive review of this FSS in June 2025.

The Administering Authority plans to formally review this FSS as part of each triennial Actuarial Valuation of the Fund unless circumstances arise which require earlier action.

The Administering Authority will also consider a review of the FSS if it determines that circumstances have changed such that this is appropriate, taking into account the implications for the funding strategy and for meeting the liabilities of employers. Circumstances which might lead to such a review include:

- material changes to the scheme benefit structure or regulations
- on the advice of the Fund Actuary
- significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond the expectations outlined in the existing FSS
- significant changes to the Fund membership and/or Fund maturity profile
- significant or notable changes to the number, type, or individual circumstances of any employers to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure which could materially impact cashflow and/or maturity profile and/or covenant)
- material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS
- recommendations from MHCLG/Government Actuary's Department

If such a review of the FSS were to take place, the Administering Authority will consider:

- the implications for the funding strategy for meeting liabilities of individual employers, and
- any amendments required to the ISS or other Fund documents as a result.

Employer engagement

The Administering Authority will consult with employers when proposing to update the FSS. Employers will be given at least 28 days to respond to the consultation.

When the FSS is updated, the Administering Authority will also communicate with any individual (or groups of) employers specifically impacted by any changes and in particular will reference any impact on employers on entry or exit from the Fund or in response to change in risk.

The Administering Authority will respond to any employers who provide feedback or comments on FSS consultations, including informing them how/whether their comments have been incorporated into the revised FSS.

Key Funding Principles

Funding target

In order to satisfy the regulatory requirement to secure the solvency and long term cost efficiency of the Fund, employer contributions are set so as to make provision for the cost of benefit accrual, with an appropriate adjustment for any surplus or deficit. The regulations require that an Actuarial Valuation exercise is carried out every 3 years, in order to set employer contributions.

The funding target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The Fund is deemed to be fully funded when the assets held are equal to 100% of the funding target / liabilities. When assets held are greater than this amount the Fund is deemed to be in surplus, and when assets held are less than this amount the Fund is deemed to be in deficit. The funding level is the assets divided by the funding target / liabilities.

The Fund needs to balance investment returns achieved on the Fund's assets and setting Employer contributions at an appropriate level. Employers' contributions will be set to ensure that 100% of the funding target / liabilities can be met over the long-term using appropriate actuarial assumptions. When setting the assumptions consideration will be given to the returns on the Fund's assets, and the characteristics and circumstances of the employers, including the maturity and potential period to exit if applicable. In setting contributions, the Administering Authority will also have regard to the desirability of maintaining as nearly constant a primary rate as possible.

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

Risk based funding target

The Fund uses a risk-based funding strategy to calculate the funding target / liabilities for ongoing employers, where the Actuarial Valuation is carried out on the basis of the assessed likelihood of meeting the funding objectives. In practice, three key decisions are required for the risk-based approach:

- what the **solvency target** should be (the funding objective - where the Administering Authority wants the Fund to get to),
- the **trajectory period** (how quickly the Administering Authority wants the Fund to get there), and
- the **probability of funding success** (how likely the Administering Authority wants it to be now that the Fund will achieve the solvency target by the end of the trajectory period).

These three decisions, supported by risk modelling carried out by the Fund Actuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness of the funding strategy.

Information about the assumptions used in the calculation of the funding target / liabilities are set out in the section "Main actuarial assumptions".

Solvency target

The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions.

Trajectory period

The trajectory period in relation to an employer is the period between the Actuarial Valuation date and the date on which solvency is targeted to be achieved. The Fund adopts a trajectory period of 25 years as a suitable long-term period.

Probability of funding success

The Administering Authority deems funding success to have been achieved if the Fund, at the end of the trajectory period, has achieved the solvency target. The probability of funding success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.

The Administering Authority will not permit contributions to be set following an Actuarial Valuation that have an unacceptably low chance of achieving the solvency target at the end of the relevant trajectory period.

Subsumed liabilities

If another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficit in respect of the liabilities of an employer exiting the fund, the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer).

Orphan/Orphaned liabilities

Liabilities of former employers in the fund who did not have a subsumption commitment from another employer in the fund are known as orphan liabilities. Details of how orphan liabilities are funded is set out below in the “Main actuarial assumptions” section.

Managing risk

The Administering Authority has an active risk management programme in place. The Administering Authority will ensure that funding risks are included within their overarching risk management framework and strategy, linking to their risk register and risk management policy as appropriate and includes defining a role for the Local Pension Board within this framework. The measures that the Administering Authority has in place to control key risks are summarised in Appendix 1 under the following headings:

- economic
- investment;
- demographic;
- climate risk
- liquidity/maturity
- regulatory/compliance;
- employer data quality
- governance
- orphan liabilities
- employer covenant
- cyber security risk

Main actuarial assumptions

Financial assumptions

The key financial assumptions are the discount rate and the pension increase/revaluation assumption.

Pension and pay increase assumption

The Scheme provides increases in line with increases in the Consumer Prices Index on the majority of pensions paid. The pension increase assumption is generally set by reference to the Fund Actuary’s best estimate of Consumer Prices Index inflation over the long term. The pay increase assumption can then be derived from the CPI assumption, with the pay increase assumption being set as CPI plus 1.5% at the 2025 Actuarial Valuation.

Discount rate

The discount rate, or future investment return assumption, depends on the funding target. The funding target is determined by the type of employers in the Fund, the way any exit valuations will be carried out, and the employer risks/covenant. The discount rate used for different employers in the Fund is as set out below.

- **Ongoing employers:** The discount rate is based on indefinite investment in a broad range of assets, with reference to the Fund’s strategic asset allocation as set out in the

ISS. The assumption recognises the need for prudence, and is set such that there is an 83% Probability of Funding Success. The funding target for such employers is called the Ongoing Funding Target.

- **Already orphaned liabilities:** For liabilities in respect of former employers in the Fund, for which no individual employer is responsible for funding, the discount rate/investment return assumption will be based on the expected yields on UK Government bonds.

Demographic assumptions

Demographic assumptions relate to membership movements or decisions leading to benefit payments or ending of benefit payments, for example rates of mortality, ill health, turnover of staff, marital statistics and promotional increases in pay. How long members and their dependants are assumed to live after retirement (post-retirement mortality) is the key demographic assumption.

The demographic assumptions are reviewed by the Fund Actuary and updated once every three years in agreement with the Administering Authority. The demographic assumptions are intended to be best estimate and are designed to be applicable to the long-term future and should, therefore, not be too influenced by recent events. In addition, it is usually not practical, desirable or cost effective to set demographic assumptions at an employer specific level.

The post-retirement mortality assumption is set with reference to the Fund's own data on deaths, national mortality statistics, and the experience of other pension funds, including using members' postcodes to allocate them to different socioeconomic groups.

Where practical, the other demographic assumptions are also informed by the actual experience of the Fund's membership. Where this is not practical, other demographic assumptions are set by reference to national statistics and/or a larger sample of pension schemes with similar socio-economic profiles as LGPS members.

Further information is set out in the Actuarial Valuation report: [Actuarial Valuation Report](#)

Asset shares notionally allocated to employers

In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers/groups, as if each employer/group had its own notional asset share within the Fund.

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

The notional asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income allocated as set out below.

In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made halfway through the year with investment returns assumed to be uniformly earned over that year. However, where significant one-off employer contributions have been paid, allowance is made for the timing of such contributions.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous Actuarial Valuation.
- Allowance for any known material internal transfers in the Fund, as cashflows will not exist for these transfers. The Fund Actuary will assume an estimated cashflow equal to the value of the cash equivalent transfer value based on appropriate factors set by the Government Actuary's Department.
- Allowance for lump sum death in service and other benefits shared across all employers in the Fund.
- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

In exceptional circumstances, information available will not allow for such cashflow calculations. In such circumstances another method will be agreed to calculate the notional asset share.

Attribution of investment income

Where the Administering Authority has agreed with an employer that it will have a tailored asset portfolio notionally allocated to it, the assets notionally allocated to that employer will be credited with a rate of return appropriate to the agreed notional asset portfolio.

Where the employer has not been allocated a tailored notional portfolio of assets, the assets notionally allocated to that employer will be credited with the rate of return earned by the Fund assets as a whole, adjusted for any return credited to those employers for whom a tailored notional asset portfolio exists.

For already orphaned liabilities, to the extent that the Administering Authority decides not to match these liabilities with asset holdings of UK Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the other employers' notional assets.

Grouping or pooling and risk sharing arrangements

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum on death in service – in other words, the cost of such benefits is shared across all the employers in the Fund. Such benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

In some circumstances it may be desirable to group or pool a number of similar employers within the Fund together for funding purposes (i.e. to calculate employer contribution rates). Reasons might include:

- reduction of volatility of contribution rates for small employers, facilitating situations where employers have a common source of funding or accommodating employers who wish to share the risks related to their participation in the Fund, or
- small outsourcings where the outsourcing employer wishes the service provider / contractor to be given either the same contribution rate as the outsourcing body or the fixed contribution rate agreed contractually, or
- employers have been grouped for practical or commercial reasons.

The Administering Authority recognises that grouping/pooling of employers can give rise to cross subsidies from one employer to another over time. The Administering Authority's policy is to consider the position carefully at each Actuarial Valuation and to notify each employer that is grouped that this is the case, and that grouping/pooling of employers will only occur with the consent of the employers involved.

Details of the groups / pools, the participants at the date of writing this Statement and the way they operate are set out in Appendix 2.

Risk sharing / Passthrough

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

Details of the employers to whom such risk sharing arrangements apply at the date of writing this Statement are set out in Appendix 2.

Guarantors

Guarantees from employers participating in the Fund

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

- If an employer exits the Fund and defaults on any of its financial obligations to the Fund, the Guarantor is expected to provide finance to the Fund such that the Fund receives the amount certified by the Fund Actuary as due, including any interest payable.
- If the Guarantor is an employer in the Fund and is judged to be of suitable covenant by the Administering Authority, the Guarantor may subsume the residual liabilities into its

own pool of Fund liabilities. In other words, it agrees to be a source of future funding in respect of those liabilities.

During the period of participation of the employer a Guarantor can at any time agree to the future subsumption of any residual liabilities of an employer.

Guarantees from relevant public bodies and others

Any guarantees from external bodies will be assessed individually by the Administering Authority, with advice from the Fund Actuary and having received specialist covenant advice if appropriate, to determine the impact on the funding approach for the relevant employers.

Link to Investment Strategy Statement

Funding and investment strategy are closely linked. Investment strategy is set by the Administering Authority, after taking investment advice.

The Administering Authority has produced this FSS having taken an overall view of the level of risk inherent in the investment policy set out in the Investment Strategy Statement (ISS) published under Regulation 7 of the Investment Regulations and the funding policy set out in this FSS.

Funding is defined as the making of advance provision to meet the cost of accruing benefit promises. Members' contributions are set by the Regulations at a rate which covers only part of the cost of accruing benefits. Investment income meets a further part of the cost. Employers pay the balance of the cost of delivering the benefits to the members. Decisions regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made, and if investment returns or income are lower than expected, then higher employer contributions may be needed.

The investment strategy should therefore take account of the liability profile and funding position. The discount rate is calculated based on the strategic asset allocation, and so it is important to consider the consequent changes in funding position and solvency objective when setting investment strategy.

Equally, the funding strategy allows for the investment strategy when setting the discount rate (which is based on expected investment returns on the Fund's long-term investment strategy).

The Fund invests diversified mixture of real and monetary assets to achieve the Fund's objectives within an acceptable level of risk.

The 2025 Actuarial Valuation is based on the following high-level strategic asset allocation:

Main asset classes	Strategic allocation (used for 2025 valuation)
Global Equities (50% hedged)	37.0%
Private Equity	5.0%
Hedge Funds	8.0%
Multi Asset Credit	7.1%
Private Debt	5.0%
UK Index Linked Gilts	15.0%
Property	5.0%
Infrastructure	10.0%
Absolute Return Bonds	4.7%
Corporate Bonds	3.2%

The Administering Authority will continue to monitor the suitability of the investment policy in light of the Fund's developing liabilities and finances. The Administering Authority will continue to review the FSS and the ISS to ensure that the overall risk profile remains appropriate. Such reviews may use asset liability modelling or other analysis techniques.

See the [Investment Strategy Statement](#) for more information.

Setting employer contributions

As part of each Actuarial Valuation, separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. The Administering

Authority also monitors the position and may amend contributions between Actuarial Valuations as permitted by Regulations 64(4) and 64A. Further details of the Administering Authority's policy in relation to reviewing contributions are set out in the Fund's [Employer Policy](#).

Employer contribution rates are set using the same Funding Target assumptions as for the liabilities.

Employer contributions are made up of primary and secondary contributions, which together make up the total contributions for each employer. The employer contributions are specified in the rates and adjustments certificate included with each Actuarial Valuation, and/or in any updates to the certificate between Actuarial Valuations.

The Actuarial Valuation report also shows a weighted average contribution rate based on the whole Fund payroll; both the average percentage rates payable and a total amount in respect of cash adjustments. The purpose of this is to show a single rate of contributions expected to be received by the Fund over each of the three years that can be readily compared with other funds and reconciled with actual receipts.

Primary contributions

For open employers (i.e. those who still admit new members) the Projected Unit method is used in the Actuarial Valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the primary contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period, over and above members' own contributions.

For employers who no longer admit new members (closed employers), the Attained Age valuation method is normally used. This means that the primary contribution rate is derived as the average cost of benefits accruing to members (over and above their own contributions) over the period until they die, leave the Fund or retire.

Secondary contributions

Where an employer has a surplus or a deficit, a positive or negative adjustment to the primary contribution rate is needed to arrive at the total contributions each employer is required to pay (this requirement is modified where a "surplus buffer", as described in the section on Removal of surplus, is in operation). This adjustment is called the secondary contribution. The secondary rate may be expressed as a lump sum payment or as a percentage of payroll.

Recovery Periods

The recovery period is the time period over which the secondary contribution is payable.

The recovery period applicable for each employer is set by the Fund Actuary in consultation with the Administering Authority, and having regard to representations from the employer where appropriate, taking into consideration the following:

- The aim to keep employer contribution rates stable
- The need to maintain solvency, which is consistent with a desire to set deficit recovery periods as short as possible
- The covenant of the employer, and any guarantee or subsumption agreement from another employer in the Fund
- The expected period of participation in the Fund of the employer
- Representations received from the employer and any Scheme Employer or guarantor
- The risk associated with adopting a recovery period for recovery of deficit (rather than requiring immediate payment), which increases as longer deficit recovery periods are chosen. The risk is that, by adopting this approach, relatively little action is taken to restore full funding between Actuarial Valuations.

In particular:

- The Administering Authority has agreed with the Fund Actuary a maximum deficit recovery period of 25 years for employers which are assessed by the Administering Authority as being a long term secure employer, which can be extended in exceptional circumstances for employers of sound covenant to an absolute limit of 40 years. The default deficit recovery period for the Fund is set at 12 years at the 2025 valuation.

- Where there is a deficit for employers over successive valuations, the aim will be to set the recovery period in successive valuations so that the existing deficit continues to target the same date of recovery, whilst new emerging deficits are recovered as set out in this section, and balancing this with the desire for stability in employer contribution.
- The default surplus spreading period is 16 years, unless the employer has a fixed term of participation in the Fund in which case the remaining period of participation will be used.
- The Administering Authority and Fund Actuary would be unlikely to agree to a Recovery Period longer than the remaining term of participation.
- For employers that are closed to new entrants and do not have a fixed term of participation, the recovery period will generally be set to be the future working lifetime of the remaining active members.
- For any employers that have entered into a deferred debt agreement, the recovery period will generally be set equal to the remaining period of the deferred debt agreement.

Removal of surplus

Consistent with a desire to keep employer contribution rates as stable as possible, and the requirement to maintain solvency for the Fund, the surplus allowed for in the calculation of the secondary contribution shall generally only apply to surplus in respect of an employer funding level above a certain threshold or “surplus buffer”, which is set at 110%.

The period over which any surplus is removed will generally be set in line with the Recovery Periods section above.

Phasing in of contribution rates

Consistent with a desire to keep employer contribution rates as stable as possible, the Administering Authority will consider, at each Actuarial Valuation, whether new contribution rates should be payable immediately, or reached by a series of steps over future years (this could be an increase or decrease in employer contribution rates).

The Administering Authority will discuss with the Fund Actuary the risks inherent in such an approach, and will examine the financial impact and risks associated with each employer. The Administering Authority’s policy is that for employers increasing their contributions, generally no more than three equal annual steps (i.e. the valuation period) will be permitted. Further steps or unequal steps may be permitted at the Administering Authority’s discretion, but the total number of steps is unlikely to exceed six steps. Where contributions are being stepped down, no limit will be set to phasing in contribution rates.

Fund maturity

To protect the Fund, and individual employers, from the risk of increasing maturity and declining payrolls producing unacceptably volatile contribution adjustments as a percentage of pay the Administering Authority will normally require monetary secondary contributions from employers in respect of any disclosed funding deficit.

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

Where an employer is assessed to be in surplus and total contributions are to be set below the primary rate this will be implemented via a reduction in the percentage of pensionable pay rate rather than via a negative monetary amount (subject to a minimum overall contribution rate of zero).

Grouped/Pooled employers

The assets and liabilities for employers will allow for any assets and liabilities the employer has agreed to subsume relating to employers who have exited or have been taken over / merged as a result of reorganisation. This will include employers who have exited and had a subsumption guarantee from another employer.

Where employers are grouped or pooled for funding purposes, employer contributions will be set allowing for the grouping/pooling. Currently there is one group of employers in the Fund pooled together for funding and contribution purposes. All risks are shared within this group

and employers in the group will pay the same primary contribution rate, but they retain responsibility for the payment of contributions towards the deficit relating to them (or reduction in contributions due to a surplus relating to them).

Passthrough/risk shared employers

Where a risk sharing arrangement is in place, employers should refer to the wording of their specific arrangement.

Details of the employers to whom such risk sharing arrangements apply at the date of writing this Statement are set out in Appendix 2.

Additional contributions

Employers will have to pay additional contributions to the Fund when granting additional member benefits:

- Awards of additional pension
- Retirement before normal retirement age on unreduced benefits (eg on redundancy), commonly called “strain costs”

Conflicts of interest

The Administering Authority has a clear and transparent process for identifying, assessing and managing potential conflicts of interest set out in their [conflicts of interest policy](#). In relation to funding, the following measures are in place:

- Maintenance of a log of interests and declarations of Pensions and Investment Committee members in key meetings
- The Pensions and Investment Committee agreeing high-level principles of funding strategy, and actuarial assumptions which apply to all employers, rather than making decisions on individual employer rates. The Fund Actuary will calculate resulting employer rates based on those high-level decisions around risk appetite and objectives
- The actuarial team advising the Fund does not provide actuarial advice to participating employers, with agreed conflict of interest protocols
- The Fund Actuary is subject to professional standards which requires them to only certify contribution rates which are sufficiently prudent and in line with the Regulatory requirements
- There is central oversight of the valuation process and whether it meets the requirements of solvency and long-term cost efficiency from the Government Actuary’s Department review under Section 13 of the Public Service Pensions Act.

Monitoring employer covenant

The Administering Authority monitors employer risk/covenant.

- For tax raising bodies, covenant is taken to be high
- For other employers, a risk assessment is carried out as set out below

Employer risk assessment

The Administering Authority assesses employer risk in advance of each triennial Actuarial Valuation, using advice from the Fund Actuary.

This consists of looking at various metrics such as the type of employer, funding sources, any guarantees/bonds in place, the expected length of participation, and the potential exit deficit.

For some employers, a more detailed risk or covenant assessment may be considered appropriate. In such cases, the Administering Authority will request advice from a covenant specialist.

Link to Administration Strategy

Employers must comply with the Fund’s [administration strategy](#), and have regard to other relevant policies published on the Fund’s website.

In particular, employers should note that it is important to provide accurate and timely data to the Administering Authority, so that the funding strategy can be implemented correctly.

The Administering Authority expects all employers in the Fund to take into consideration the effect of their behaviours on the Fund, for example when considering:

- Discretions policies
- Outsourcing decisions

All employers need to inform the Fund of any changes to the organisation that will impact on their participation in the Fund. This includes change of name or constitution, mergers with other organisations, or other decisions which will or may materially affect the employer's Fund membership.

Employers considering outsourcing any services should advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

Employer events

Joining the Fund

Some employers are entitled to join the Fund under Schedule 2 of the LGPS 2013 Regulations. Other employers may apply to the Administering Authority for admission, and if admitted they will become an Admission Body in the Fund.

Initial notional asset transfer

When a new employer starts in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer. The Fund Actuary will calculate the funding target and hence the notional asset transfer at the new employer's commencement date.

When a new Admission Body starts in the Fund, they will usually start as fully funded (i.e. the notional asset transfer is set equal to the funding target). This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. This approach would normally apply to new Scheduled Bodies.

Where an employer has a risk sharing arrangement, no initial asset transfer occurs as the original employer retains responsibility for funding the past service pension liabilities in respect of the transferring members.

Employer contributions

Initial contribution rate

When a new employer joins the Fund, the Fund Actuary determines the initial employer contribution rate payable from the new employer's commencement date. When setting the employer contribution rate the following elements will be taken into consideration:

- Any past service or inherited liabilities.
- Whether the new employer is open or closed to new entrants.
- For Admission Bodies, whether the admission agreement is fixed term or not, and the period of any fixed term contract period.
- Other relevant circumstances.

Review of contributions

The Regulations require a triennial Actuarial Valuation of the Fund. As part of each Actuarial Valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers and may be increased or reduced.

The Administering Authority also monitors the position and may amend contributions between triennial Actuarial Valuations as permitted by Regulations 64(4) and 64A. The Fund's policy on contribution reviews is set out in the Fund's [Employer Policy](#).

Contributions for grouped/pooled employers

Where an employer is joining a group or pool of employers, they will be set a contribution rate in line with the rate the other members of the group/pool are paying.

Bonds and other securitisation

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

Where the level of risk identified by the assessment is such as to require it, the admission body shall enter into an indemnity or bond with an appropriate party. Where it is not desirable for an admission body to enter into an indemnity or bond, the body is required to secure a

guarantee in a form satisfactory to the Administering Authority from an organisation who either funds, owns or controls the functions of the admission body.

The Administering Authority's approach in this area is set out in the Fund's [Employer Policy](#)

Exit of an employer from the Fund

Where an employer exits the Fund, an exit valuation will be carried out by the Fund Actuary in accordance with Regulation 64.

The Funding Target used for the exit valuation will depend on the circumstances on exit and/or the type of employer exiting the Fund.

The exit valuation may reveal either a surplus or a deficit, and how these are dealt with is set out below.

Further detail is set out in the Fund's [Employer Policy](#).

Exit payments

Where the exit valuation reveals a deficit, the exiting employer will be expected to make good the funding position revealed in the exit valuation.

The Administering Authority's policy is that generally any deficit that exists at exit of an employer will be payable immediately as a single payment. In certain cases, the Administering Authority may be prepared to agree payment over a period of time as permitted under Regulation 64B. The Administering Authority's policy in relation to spreading of exit debt is set out in the Fund's [Employer Policy](#).

Exit credits

Where the exit valuation discloses a surplus in the Fund in respect of the exiting employer, an exit credit may be due to the employer.

As soon as is practicable after the production of the applicable exit valuation, the Administering Authority will notify the exiting employer and, where the exiting employer has been admitted to the Fund as an admission body, any guarantor, Scheme Employer or subsuming employer where applicable, of:

- The fact that the exit valuation shows a surplus;
- That the Administering Authority intends to make a determination of whether this surplus should be passed in whole or in part to the exiting employer
- To request that each party, within 28 days, provides their written representations to the Administering Authority in relation to any factors which, in their view, would influence such a decision and make the payment of a surplus to the exiting employer more or less appropriate.

The Administering Authority will then make a determination of the amount of the exit credit (if any) payable to the exiting employer.

More detail on the exit credit process is set out in the Fund's [Employer Policy](#).

Deferred Employers

In certain circumstances it may be agreed to enter into a deferred debt agreement rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer.

For deferred employers where a deferred debt agreement is in place the funding target will take into account any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date the deferred debt agreement is expected to end and any other factors considered to be relevant by the Administering Authority on the advice of the Actuary, which may include, without limitation:

- the agreed period of the deferred debt agreement;
- the type/group of the employer;
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

Further details of the Administering Authority's policy for deferred debt agreements are set out in the Fund's [Employer Policy](#).

Suspension notices

Regulation 64(2A) permits the suspension of the requirement to carry out an exit valuation for a period of up to 3 years where the Administering Authority believes that the employer is likely to have one or more active members contributing to the Fund within the period specified in the suspension notice.

The Administering Authority will consider requests for a suspension notice on a case-by-case basis. In particular, the Administering Authority considers that it is appropriate to exercise that discretion in relation to Town Councils where there is a reasonable expectation that a member will join in less than 3 years.

Whilst under a suspension notice, the employer must continue to pay any certified secondary contributions as if it were an ongoing employer. The Fund Actuary will recalculate contributions due at the next Actuarial Valuation. If there are no new members by the time the suspension notice expires the employer will be treated as an exiting employer as at the date the suspension notice expires.

Partial terminations

A partial termination occurs where an employer exits the Fund in respect of non-active members only. In general, the Administering Authority does not permit partial terminations. Any requests from employers will be considered on a case-by-case basis.

Bulk transfers

A bulk transfer occurs when more than 2 or more members transfer to another registered pension scheme under Regulation 98, or where 10 or more members transfer to or from another LGPS fund under Regulation 103(3).

The steps that are normally involved in a bulk transfer are as follows:

- The actuaries of the two funds/schemes agree the membership and data of the members transferring.
- The actuary of the original fund/scheme proposes a basis for a transfer payment, usually set out in an "actuary's letter". Where this is under Regulation 98, this will also cover the service credits to be granted.
- The actuaries of the two funds/schemes, together with the funds and the relevant employers, negotiate and agree the final basis for the transfer payment, and a final actuary's letter is produced and signed.
- Example calculations are carried out and agreed between the actuaries.
- A payment date is agreed, and final payment is made.

In general, where a bulk transfer out of the Fund is occurring:

- Where all membership of an employer is transferring, the proposal for the asset transfer will be the total asset share of the employer.
- Where all of the active members of an employer are transferring, but non-actives are remaining in the Fund, the proposal for the asset transfer will be the total asset share of the employer less the value of the liabilities in respect of the non-active membership valued using the funding target for orphan liabilities.
- Where part of the active membership of an employer is transferring, but the employer will remain a participating employer in the Fund, the proposal for the asset transfer will be determined by applying the funding level of the employer to the transferring liabilities, where the liabilities are calculated on the Ongoing Funding Target.

Appendix 1: Key Risks

The Administering Authority has an active risk management programme in place. The Administering Authority will ensure that funding risks are included within their overarching risk management framework and strategy, linking to their risk register and risk management policy as appropriate and includes defining a role for the Local Pension Board within this framework. The risks most likely to impact on the funding strategy and measures that the Administering Authority has in place to control those risks are summarised below.

Economic risk

Economic risks can affect both assets and liabilities.

The main risks affecting the liabilities include interest rates and price inflation. The Administering Authority will ensure that the Fund Actuary investigates these matters at each Actuarial Valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund Actuary any changes necessary to the assumptions used to calculate the liabilities to allow for observed or anticipated changes.

Interest rates, inflation, and wider macro-economic risks can also affect the assets held. In addition, the assets may not be affected in the same way as the liabilities. Investment risk is covered in more detail below.

If significant funding changes become apparent between Actuarial Valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next Actuarial Valuation and consider whether any bonds in place for Admission Bodies require review.

Investment risk

This covers items such as the performance of financial markets and the Fund's investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance)
- systemic risk with the possibility of interlinked and simultaneous financial market volatility
- insufficient funds to meet liabilities as they fall due
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- counterparty failure

The specific risks associated with assets and asset classes are:

- equities – industry, country, size and stock risks
- fixed income - yield curve, credit risks, duration risks and market risks
- alternative assets – liquidity risks, property risk, alpha risk
- money market – credit risk and liquidity risk
- currency risk
- macroeconomic risks

The Administering Authority invests a substantial proportion of the Fund in assets which are expected to offer higher long-term rates of return on average, but can be more volatile. This short-term volatility in returns can result in volatility in funding positions and employer contributions.

The Fund mitigates these risks through diversification, investing in a wide variety of markets and assets, as set out in the ISS.

Producing low volatility in employer contributions would require material investment in "matching" assets for the liabilities, i.e. investing in very secure assets that behave in a similar way to the liabilities as economic conditions alter (eg long-dated index-linked gilt investments). However, a matched strategy could increase employer contributions from their current levels.

The Fund Actuary sets the discount rate by taking into account expected returns and volatility of each asset class in the long-term investment strategy. This can help mitigate the risk in that movements in asset values typically impact expected returns on those asset classes, and

liabilities should move in a similar way to the assets, helping to manage the impact on the funding position.

The Administering Authority or the Asset Pool reviews each investment manager's performance regularly. The Administering Authority also regularly considers the asset allocation of the Fund at least once every three years by carrying out an asset allocation review. The Administering Authority also regularly reviews the effect of market movements on the Fund's overall funding position.

Demographic risk

The main demographic risks that may affect the liabilities include life expectancy, changing retirement patterns and other demographic risks. The Administering Authority will ensure that the Fund Actuary investigates these matters at each Actuarial Valuation or, if appropriate, more frequently, and reports on developments. The Administering Authority will agree with the Fund Actuary any changes necessary to the assumptions used to calculate the liabilities to allow for observed or anticipated changes.

If significant liability changes become apparent between Actuarial Valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next Actuarial Valuation and consider whether any bonds in place for Admission Bodies require review.

Where it appears likely to the Administering Authority that for an employer the amount of the liabilities arising or likely to arise has changed significantly since the last Actuarial Valuation, the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A in line with the Administering Authority's policy.

Climate risk

The systemic risks posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities for investors. The Administering Authority keeps the effect of climate change on future investment returns under review and will commission advice from the Fund Actuary on the potential effect on funding as required.

The impact on financial markets and life expectancy / morbidity will also impact the value placed on the liabilities, which can also significantly change the funding level and any surplus or deficit, and the resulting employer contributions.

At the 2022 Actuarial Valuation the Fund Actuary carried out scenario analysis to assess the resilience of the funding strategy to climate change risk over an agreed period, and similar analysis will be carried out at the 2025 Actuarial Valuation. The analysis carried out will be in line with the key principles document agreed by the actuarial firms providing advice to LGPS funds and approved by the Government Actuary's Department, the Ministry for Housing, Communities and Local Government and the England and Wales LGPS Scheme Advisory Board.

Liquidity and maturity risk

Changes to the LGPS may impact upon the maturity profile of the Fund and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery may result in the following:

- active members leaving the Fund
- transfer of responsibility between different public sector bodies
- scheme changes which might lead to increased opt-outs
- spending cuts and their implications

All of these may result in workforce reductions that would reduce membership, reduce contributions and prematurely increase retirements in ways that may not have been taken into account in previous forecasts.

The Fund recognises that permitting the solvency target to be achieved over a period (the recovery period) rather than immediately introduces a risk that action to restore solvency is insufficient between successive measurements.

The Administering Authority's policy is to require regular communication between itself and employers and to ensure reviews of maturity at overall Fund and employer level where material issues are identified.

The Fund's policy is to discuss the risks inherent in each situation with the Fund Actuary and to limit the permitted length of recovery period.

For closed employers the Recovery Period will generally only be permitted to exceed the future working lifetime of the active members as calculated by the Fund Actuary in exceptional circumstances. This limits the exposure of the Fund to potential adverse consequences which can arise due to increasing volatility of contribution requirements for the closed employer as membership declines.

Regulatory/compliance risk

The risks relate to changes to general and LGPS specific regulations, national pension requirements or HM Revenue and Customs' rules.

The Administering Authority will keep abreast of all proposed changes. If any change potentially affects the costs of the Fund, the Administering Authority will ask the Fund Actuary to assess the possible impact on costs of the change. Where significant, the Administering Authority will notify Employers of the possible impact and the timing of any change.

There are a number of uncertainties associated with the benefit structure at the time this FSS was last updated, in particular:

- The outcome of the cost management process as at 31 March 2024.
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Changes to the LGPS Regulations to reflect the ruling are being consulted on.
- The impact of the McCloud underpin to 2014-2022 pensions for those who joined the LGPS before 1 April 2012, particularly where full data is not yet available.
- The court judgement in Virgin Media v NTL Pensions Trustees may have some implications for the LGPS.

In determining how these uncertainties should be allowed for in employer contributions the Administering Authority will have regard to guidance issued by the SAB, taking account of the Fund Actuary's advice.

For the purposes of the 2025 Actuarial Valuation, an approximate employer specific allowance will be made in respect of the McCloud remedy based upon a high-level analysis of the employer's fund membership.

An approximate allowance will also be made for the purposes of the 2025 Actuarial Valuation to allow for the potential additional liabilities arising from the Goodwin case.

Employer data quality risk

Actuarial calculations such as triennial Actuarial Valuations, employer contribution rates, and exit valuations, rely on accurate data being supplied.

Where data quality is low, there is a risk that these calculations are not as accurate, which could lead to employer contributions and/or exit payments being set too high or too low.

The Fund Actuary carries out data validation to assess the quality of the data in advance of each triennial Actuarial Valuation. Where required, the Fund Actuary and the Administering Authority will agree an approach for data that is not of the highest quality. For example, this may take the form of estimating missing data items from other available items of data.

Governance risk

This covers the risk of unexpected structural changes in Fund membership (for example the closure of an employer to new entrants or the large-scale withdrawal or retirement of groups of staff), and the related risk of the Administering Authority not being made aware of such changes in a timely manner.

The policy is to require regular communication between the Administering Authority and employers and to ensure regular reviews of such items as bond arrangements, financial standing of non-tax raising employers and funding levels.

Orphan/Orphaned liability risk

This risk arises from the risk of employers leaving the Fund and leaving orphaned liabilities. In addition there is also a risk that deficits might arise in respect of already orphaned liabilities.

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

Employer covenant risk

These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Fund.

The Fund has a Funding Strategy Statement which contains sufficient detail on how funding risks are managed in respect of the main categories of employer and other pension fund stakeholders.

The Administering Authority monitors employer payments and expects employers to engage with the Fund where their circumstances have changed, noting that contributions can be reviewed between triennial Actuarial Valuations if the conditions in Regulations 64A and the terms of the Fund's [Employer Policy](#) are met.

The Administering Authority will maintain a knowledge base on employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and will use this information to inform the FSS.

The Administering Authority monitors employer covenant as set out earlier in the FSS.

Cyber Security risk

Cyber attacks are a threat to the data held and systems operated by the Administering Authority and key external partners, including the Fund Actuary and software providers. Funding could be impacted by a loss of assets, or indirectly if a loss of data makes liability calculations more difficult or uncertain.

The systems operated by the Administering Authority form part of those of the wider council. The Administering Authority works closely with the council IT team to ensure robust systems and safeguards are in place to mitigate the risks of a successful cyber attack. The Administering Authority also ensures that cyber security is addressed through service contracts with relevant third parties where appropriate, and engages with key external partners to ensure they have appropriate cyber security safeguards.

Appendix 2: Groups / Pooling and Risk Sharing

Employer group

For employers in this group (set out below), all funding risks are shared between employers in the group except for secondary contributions paid. Each employer pays a single primary contribution rate, and their own secondary contribution rate.

- Welshpool Town Council
- Town Council of Newtown & Llanllwchaiarn
- Ystradgynlais Town Council
- Ystradfellte Community Council
- Llandrindod Wells Town Council
- Brecon Town Council
- Llanidloes Town Council
- Machynlleth Town Council
- Forden with Leighton and Trelystan Community Council

Risk sharing arrangements

In addition, Powys County Council has a risk sharing arrangement with the following employers. The employers listed will pay their primary contribution rate only, with additional contributions due in certain circumstances due to employer decisions as set out in the risk sharing agreement:

- Mirus Wales
- Powys Association of Voluntary Organisations
- Ystradgynlais Miners Welfare
- Adapt Business Services
- Adapt (Fire)
- Shaw Healthcare

Appendix 3: Roles and responsibilities

The efficient and effective management of the Fund can only be achieved if all parties are aware of and exercise their statutory duties and responsibilities conscientiously and diligently.

The primary parties to the FSS are the Administering Authority, the Fund Actuary and the Employers.

The **Administering Authority (the Fund)** is required to:

- operate a pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
- have an escalation policy in situations where employers fail to meet their obligations
- pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations
- invest surplus monies in accordance with the relevant regulations
- ensure that cash is available to meet liabilities as and when they fall due
- ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default
- manage the Actuarial Valuation process in consultation with the Fund's Actuary
- prepare and maintain an FSS and associated funding policies and an ISS, after proper consultation with interested parties
- monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
- establish a policy around exit payments and payment of exit credits/debits in relation to employer exits, and around revising employer contributions between Actuarial Valuations
- effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and scheme employer
- enable the Local Pension Board to review the Actuarial Valuation and FSS review process as set out in their terms of reference
- support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

The individual **employer** is required to:

- ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
- provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
- pay all ongoing contributions, including employer contributions determined by the Fund Actuary and set out in the Rates and Adjustments Certificate, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain

- notify the Administering Authority promptly of all changes to active membership that affect future funding
- pay any exit payments on ceasing participation in the Fund in a timely manner

The **Fund Actuary** should:

- prepare Actuarial Valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions agreed with the Administering Authority and having regard to the FSS and the LGPS Regulations
- provide advice so the Fund can agree the necessary assumptions for the Actuarial Valuation
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
- provide advice and exit valuations to the fund so that it can make decisions on the exit of employers from the fund, and assist the Administering Authority in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7B) or spread an exit payment under Regulation 64B
- provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default
- assist the fund in assessing whether employer contributions need to be revised between Actuarial Valuations as permitted or required by the LGPS Regulations
- ensure that the fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund
- identify to the Fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the Fund and other clients.

Appendix 4: Glossary

Actuarial Valuation

An assessment by the Fund Actuary of the Funding Level of the Fund and recommended employer contributions. The assessment of the Funding Level is based on calculating the Past Service Liabilities and comparing this to the value of the assets held in the Fund. Actuarial Valuations take place every three years (triennial).

Administering Authority

Powys County Council is the Administering Authority to the Fund.

Admission Agreement / Admission Body

A written agreement which provides for a body to participate in the Fund as a scheme employer. An admission body is an employer admitted to the Fund under an admission agreement.

Assumptions

Assumptions about the future need to be made by the Fund Actuary in order to calculate how much money the Fund needs at the Valuation Date to pay for the benefits that have been earned up to the Valuation Date. These assumptions are estimates of future experience for example, pay growth, longevity of pensioners, inflation, and investment returns.

Code of Practice

The Pensions Regulator's General Code of Practice.

Deficit

If the assets are lower than the liabilities, then a deficit exists. The deficit is the difference between the Past Service Liabilities and the assets.

Employer Covenant

The extent of the employer's legal obligation and financial ability to support its liabilities in the Fund now and in the future.

Fund

The Powys County Council Pension Fund.

Fund Actuary

An actuary appointed by the Administering Authority to provide advice to the Fund, including carrying out Actuarial Valuations.

Funding Level

The funding level is the value of assets divided by the value of the liabilities.

Fund Valuation Date

The effective date of the triennial fund Actuarial Valuation.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor may mean that the fund can consider the employer's covenant to be as strong as its guarantor's.

LGPS Regulations

The statutory regulations setting out the contributions payable to, and the benefits payable from, the Local Government Pension Scheme and how the Funds are to be administered. These include the Local Government Pension Scheme Regulations 2013 and various transitional regulations.

Local Pension Board

The board established to assist the administering authority as the Scheme Manager for each fund.

Long-term cost efficiency

The notes to the Public Service Pensions Act 2013 state that long-term cost efficiency implies that the rate must not be set at a level that gives rise to additional costs. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the time.

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long-term cost efficiency if the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual, with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, GAD may have regard to the following considerations:

- the implied average deficit recovery period
- the investment return required to achieve full funding over different periods, e.g. the recovery period
- if there is no deficit, the extent to which contributions payable are likely to lead to a deficit arising in the future
- the extent to which the required investment return above is less than the administering authority's view of the expected future return being targeted by a fund's investment strategy, taking into account changes in maturity/strategy as appropriate.

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents.

Notifiable events

Events which the employer should make the administering authority aware of.

Past service liabilities

This is the cost or present value of the benefits to which members are entitled based on benefits built up to/in payment at the date of calculation, assessed using the agreed assumptions. It generally allows for projected future increases to pay or pension as appropriate through to retirement or date of leaving service.

Pensions and Investment Committee

A committee or sub-committee to which an administering authority has delegated its pension function.

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and administering authorities to ensure the effective management of the scheme.

Primary rate of the employers' contribution

The primary rate for each employer is that employer's future service contribution rate, which is the contribution rate required to meet the cost of the future accrual of benefits, expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit but allowing for any employer-specific circumstances, such as the membership profile of that employer, the funding strategy adopted for that employer (including any risk-sharing arrangements operated by the administering authority), the actuarial method chosen and/or the employer's covenant.

The primary rate for the whole Fund is the weighted average (by payroll) of the individual employers' primary rates.

Rates and adjustments certificate

A certificate required at each actuarial valuation by the Regulations, setting out the primary and secondary contributions payable by employers for the 3 years from the 1 April that falls in the calendar year following the Fund Valuation Date.

Secondary rate of the employers' contribution

The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the Fund Valuation Date falls. The secondary rate is specified in the Rates and

Adjustments Certificate. For any employer, the rate they are required to pay is the sum of the primary and secondary rates.

The actuary should also disclose the secondary rates for the whole scheme in each of the three years beginning with 1 April in the year following that in which the Actuarial Valuation date falls. These should be calculated as a weighted average based on the whole scheme payroll in respect of percentage rates and as a total amount in respect of cash adjustments. The purpose of this is to show a single rate of contributions expected to be received by the Fund over each of the three years that can be readily compared with other funds and reconciled with actual receipts.

Solvency

The notes to the Public Service Pensions Act 2013 state that solvency means that the rate of employer contributions should be set at “such level as to ensure that the scheme’s liabilities can be met as they arise”. It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a Funding Level for the Fund of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of Fund employers, or a material reduction in the capacity of Fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the Fund will be able to pay scheme benefits as they fall due.

Surplus

If the assets are higher than the Past Service Liabilities, then a surplus exists. The surplus is the difference between the assets and the Past Service Liabilities.