

DYFED PENSION FUND PENSION BOARD

MONDAY, 9 OCTOBER 2017

PRESENT: Mr J. Jones [Chair]

Mr I. Eynon [Pembrokeshire County Council – Employer Rep]
Councillor P. Hughes [Carmarthenshire County Council – Employer Rep]
Mr M. Rogers [Pensioner Rep]

Also Present:

Councillor D.E. Williams, Chair of the Dyfed Pension Fund Committee
Eynon, P.M. Hughes, Jones and Rogers

The following Officers were in attendance:

Mr C. Moore	-	Director of Corporate Services
Mr A. Parnell	-	Treasury & Pensions Investment Manager
Mr K. Gerard	-	Pensions Manager
Ms T. Williams	-	Assistant Accountant
Mrs M. Evans Thomas	-	Principal Democratic Services Officer

Committee Room 1, 3 Spilman Street, Carmarthen : 3.00 - 3.55 pm.

1. APOLOGIES AND OTHER MATTERS

Apologies for absence were received from Ms Catherine Davies, Mr Mark Miles and Ms Janet Wyer.

The Chair welcomed Councillor Philip Hughes to his first meeting.

The Chair informed the Board that the Dyfed Pension Fund won the Scheme Administration and LGPS Fund of the Year (under £2.5bn) awards at the recent LAPF Investments Awards Ceremony. The Dyfed Pension Fund was the only Fund to win 2 awards at the Ceremony. The Chair referred to the fact that there were many funds competing for these awards and congratulated all involved.

2. DECLARATIONS OF PERSONAL INTEREST.

There were no declarations of personal interest.

3. MINUTES OF THE PENSION BOARD MEETING HELD ON 19TH JULY, 2017.

AGREED that the minutes of the Pension Board meeting held on 19th July, 2017 be confirmed as correct record.

4. DYFED PENSION FUND COMMITTEE MEETING - 21ST SEPTEMBER 2017.

The Board received for consideration the following reports which had been considered by the Dyfed Pension Fund Committee at its meeting held on 21st September, 2017:-

4.1. AUDIT OF FINANCIAL STATEMENTS REPORT - DYFED PENSION FUND.

The Board considered the Audit of Financial Statements Report for the Dyfed Pension Fund which had been prepared by the Wales Audit Office. The report detailed the matters arising from the audit which required reporting under ISA 260.

The Auditor General is responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund give a true and fair view of their financial position as at 31st March, 2017 and of its income and expenditure for the year ended.

It was noted that it was the Auditor General's intention to issue an unqualified audit report on the financial statement and that there were no misstatements identified which remained uncorrected.

The following question was asked in relation to the report:-

- Asked whether the misstatements were minor the Treasury & Pensions Investment Manager advised that they related to presentational items only e.g. grammatical and formatting errors.

The Director of Corporate Services informed the Board that the signed accounts had been received back from the Auditor so last year's accounts were now officially closed.

AGREED that the report be noted.

4.2. DYFED PENSION FUND STATEMENT OF ACCOUNTS 2016-17.

The Board considered the Dyfed Pension Fund Financial Statements for 2016/17.

The position of the Fund as at 31st March, 2017 valued the total assets at £2,343m, an increase of £443m from 31st March, 2016.

£2,335m of assets are managed by our Investment Managers and the remaining £8m is the balance of current assets and liabilities within Carmarthenshire County Council.

The value of the assets managed by our Investment Managers is as follows:-

BlackRock	£1,593m
Schroders	£ 185m
Partners Group	£ 37m
Baillie Gifford	£ 271m
Columbia Threadneedle	£ 249m
TOTAL	£2,335m

Investment Management fees for 2016/17 totalled £5.9m which equated to 0.25% of the total assets invested.

AGREED that the report be noted.

4.3. DYFED PENSION FUND BUDGET MONITORING.

The Board considered the Budget Monitoring report for the Dyfed Pension Fund which provided an update on the latest budgetary position in respect of 2017/18.

The current position as at 31st August, 2017 forecast an underspend of £66.8m for 2017/18. From this figure £1.0m underspend related to cash items that had the most impact on the daily cash flow of the Fund. The remaining £65.8m underspend related to non-cash items.

Cash Items

Based on current activity to date, it was estimated that Benefits Payable and Transfers out will be underspent by £4.3m. This was mainly influenced by the uncontrollable nature of lump sum payments and transfer out of the Fund. Contributions and investment income contributed a further £3.6m underspend. This was due to additional investment income required to keep a positive cash flow to cover £6.9m payment to the Investment Managers to meet investment commitments. The £7.9m underspend less £6.9m payments to the Investment Managers resulted in a £1.0m underspend estimate for the year.

Non-cash Items

£62.8m of the £65.8m underspend was due to an increased value of realised gains. This occurred from the segregated passive equities transition which took place in April 2017 as part of the Wales Pension Partnership joint procurement. The non-cash items have no impact on the daily cash flow of the fund.

The following question was asked in relation to the report:-

- Asked if the £2.3m Benefits Payable variance projected to the year end was larger than expected, the Pensions Manager explained that it is impossible to accurately predict how many staff will retire or pass away during the year, so an estimate based on previous years' figures is used.

AGREED that the report be noted.

4.4. DYFED PENSION FUND CASH RECONCILIATION.

The Board considered the Cash Reconciliation report which provided an update on the cash position in respect of the Dyfed Pension Fund.

As at 31st July, 2017 £11.3m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

AGREED that the report be noted.

4.5. BREACHES REPORT.

The Board considered the Breaches Report in relation to the Dyfed Pension Fund. Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Code of Practice No. 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provide guidance on reporting these breaches.

The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Panel in March 2016.

Under the policy, breaches of the law are required to be reported to the Pensions Regulator where there was a reasonable cause to believe that:-

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
- the failure to comply was likely to be of material significance to the Regulator in the exercise of any of its functions.

AGREED that the report be noted.

4.6. IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DERIVATIVE (MiFID II).

The Board was advised that under the current UK regime, Local Authorities are automatically categorised as per se professional clients in respect of non-MiFID (Markets in Financial Instrument Directive) scope business and are categorised as per se professional clients for MiFID scope business if they satisfy the MiFID Large Undertakings test. Local Authorities that do not satisfy the Large Undertakings test may opt up to elective professional client status if they fulfil certain opt-up criteria.

Following the introduction of MiFID II (Markets in Financial Instrument Directive 2014/65) as from 3rd January 2018 firms will no longer be able to categorise a local public authority or a municipality that (in either case) does not manage public debt (local authority) as a per se professional client or elective eligible counterparty for both MiFID and non-MiFID scope business. Instead, all local authorities must be classified as retail clients unless they are opted up by firms to an elective professional client status.

Furthermore, the FCA has exercised its discretion to adopt gold-plated opt-up criteria for the purposes of the quantitative opt-up criteria, which local authority clients must satisfy in order for firms to reclassify them as an elective professional client.

AGREED that the report be noted.

5. TERMS OF OFFICE.

The Board considered a report detailing options for members' terms of office.

The Board's Terms of Reference state that Employer Representatives, Scheme Member Representatives and the Independent Member/Chair are appointed for a period of up to three years from the date of establishment of the Pension Board or the date of their individual appointment if later. This period may be extended for up to five years if agreed by the Section 151 Officer. Members may be re-appointed for further terms following an appointment process.

All existing Board members were appointed on 1st April, 2015 (with the exception of the Carmarthenshire Employer representative who had only recently been

appointed) and therefore their initial three year period will expire on 31st March, 2018.

The following observations were made in relation to the report:-

- the importance was stressed of the need for continuity and retention of experience and it was felt that this could be addressed by the introduction of staggered appointments;
- all members present indicated that they are happy to extend their terms of office and the intentions of those members not present today could be ascertained at the next meeting;
- it was noted that the Active Members Representative had indicated that she did not wish to extend her term of office when her current term ends.

AGREED

5.1 that the appointment process for the Active Member Representative be commenced as soon as possible;

5.2 that this item be placed on the agenda for the next meeting.

6. PENSION BOARD INSURANCE.

The Board considered a report detailing options for Pension Board Liability Insurance.

As the Pension Board is not a Council Committee it was uncertain as to whether Board Members are officials who fall within the scope of the Council's own indemnity provisions. The effect of which could be that Board Members could find themselves personally liable for significant costs.

It was also recognised that there are varying views being taken with regard to member liability within the Pension Boards across the LGPS with no consensus currently.

Liability insurance quotes had been received from Aon and Hymans, as detailed below:-

- AON (Ace European Group Ltd)	- £1m cover for £2,500
	- £5m cover for £4,500
- Hymans (Lockton)	- £1m cover for £2,500
	- £5m cover for £5,000

AGREED that officers proceed to arrange £5m Liability Insurance cover for members of the Pension Board with AON (as detailed above) and the position be reviewed in 12 months' time.

7. ANY OTHER ITEMS OF BUSINESS THAT BY REASONS OF SPECIAL CIRCUMSTANCES THE CHAIR DECIDES SHOULD BE CONSIDERED AS A MATTER OF URGENCY PURSUANT TO SECTION 100B(4)(B) OF THE LOCAL GOVERNMENT ACT, 1972.

CHAIR

DATE