

Document Pack



Mark James LLM, DPA, DCA
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WEDNESDAY, 18 APRIL 2018

TO: ALL MEMBERS OF THE DYFED PENSION FUND PENSION BOARD

I HEREBY SUMMON YOU TO ATTEND A MEETING OF THE **DYFED PENSION FUND PENSION BOARD** WHICH WILL BE HELD IN THE **COMMITTEE ROOM 1, 3 SPILMAN STREET, CARMARTHEN AT 3.00 PM, ON TUESDAY, 24TH APRIL, 2018** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA.

Mark James CBE

CHIEF EXECUTIVE



PLEASE RECYCLE

Democratic Officer:	Janine Owen
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Ref:	AD016-001

DYFED PENSION FUND PENSION BOARD MEMBERSHIP
--

Catherine Davies	Active Member Representative
Ian Eynon	Employer Member Representative
Cllr. Philip Hughes	Employer Member Representative
John Jones	Independent Representative (Chair of the Board)
Mark Miles	Employer Member Representative
Mike Rogers	Pensioner Member Representative
Vacant	Union Member Representative

A G E N D A

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THURSDAY, 18TH JANUARY, 2018

PRESENT: Mr John Jones [Chair]

Councillor P. Hughes [Carmarthenshire County Council – Employer Rep]
Mr M. Miles [Mid & West Wales Fire & Rescue Service – Employer Rep]
Ms C. Davies [Pembrokeshire County Council – Employee Rep]

Also Present:

Councillor D.E. Williams, Chair of the Dyfed Pension Fund Committee

The following Officers were in attendance:

Mr R. Hemingway	-	Head of Financial Services
Mr A. Parnell	-	Treasury & Pension Investments Manager
Mr M. Morgan	-	Deputy Pensions Manager
Ms T. Williams	-	Assistant Accountant

Democratic Services Committee Room, County Hall, Carmarthen : 3.00 p.m. - 3.40 p.m.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr Ian Eynon and Mr Mike Rogers. The Chair advised the Board that Ms Janet Wyer had tendered her resignation. Apologies were also received from Mr Chris Moore, Director of Corporate Services and Mr Kevin Gerard, Pensions Manager.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest.

3. MINUTES OF THE PENSION BOARD MEETING HELD ON 9TH OCTOBER, 2017

AGREED that the minutes of the Pension Board meeting held on 9th October, 2017 be confirmed as correct record

4. DYFED PENSION FUND COMMITTEE MEETING - 27TH NOVEMBER, 2017

The Board received for consideration the following reports which had been considered by the Dyfed Pension Fund Committee at its meeting held on 27th November, 2017:-

4.1. BUDGET MONITORING AS AT 31ST OCTOBER, 2017

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 as at 31st October, 2017.

AGREED that the report be noted.

4.2. CASH RECONCILIATION AS AT 30TH SEPTEMBER, 2017

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

As at 30th September, 2017 £4.5m 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.

4.3. 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.

The Board noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time, however, all contribution payments were now up to date and no report had been sent to the Pensions Regulator.

AGREED that the report be noted.

4.4. RISK REGISTER

The Board received for consideration a Risk Register which captured all the risks identified in relation to the functions of the Dyfed Pension Fund.

The register which is regularly monitored and reviewed included the following information:-

- Details of all identified risks
- Assessment of the potential impact, probability and risk rating
- The risk control measures that are in place
- The responsible officer
- Target Date (if applicable)

The Treasury and Pension Investments Manager advised the Board that following the Pension Fund Committee meeting held on 27th November, 2017 the register had been updated and the amended version was being presented to them today.

AGREED that the report be noted.

4.5. WALES PENSION PARTNERSHIP - WORKSTREAM SUMMARY

The Board considered the Work Stream summary as at 30th September 2017, which outlined the actions required in the process for appointing the Operator and due completion dates.

The Treasury and Pension Investments Manager provided the Board with an update of the current position and the Board noted that the Wales Pension Partnership was on schedule.

AGREED that the report be noted.

4.6. WALES PENSION PARTNERSHIP - DCLG AUTUMN REVIEW SUBMISSION

The Board considered the DCLG Autumn Review submission progress report from Wales Pension Partnership on Local Government Pension Scheme Pooling.

AGREED that the report be noted.

4.7. MiFID II UPDATE

The Board considered the Markets in Financial Instruments Derivative (MIFID II) update.

The updated briefing note demonstrated that applications had been submitted by Carmarthenshire County Council as administering authority for the Dyfed Pension Fund to opt up to Professional Client status for MFID II purposes.

The Board noted that the 'opt up' had been completed by all of the institutions.

AGREED that the report be noted.

4.8. MINUTES OF THE DYFED PENSION FUND COMMITTEE HELD ON 27TH NOVEMBER 2017

The Board received the minutes of the Dyfed Pension Fund Committee meeting held on 27th November, 2017.

NOTED.

5. TERMS OF OFFICE

The Board was reminded that consideration was given to members' terms of office at the last meeting (with the exception of the Carmarthenshire Employer representative who had only recently been appointed).

The Board noted the following:-

- (1) The following Board Members, whose initial terms of office will cease on 31st March, 2018, have all expressed an interest in extending their term of office for up to an additional two years, as per the terms of reference:-

Mr John Jones, Ms Catherine Davies, Mr Ian Eynon and Mr Mike Rogers

- (2) Ms Janet Wyer has resigned as member of the Board;
- (3) Mr Mark Miles has expressed his desire to step down, however, he was prepared to remain until his successor is appointed.

The Chair wished to express his thanks to his fellow Board members for their contribution to the Board since its inception in 2015.

AGREED that the Section 151 Officer note the above and commence the relevant procedure in order to fill the vacancies.

CHAIR

DATE

DYFED PENSION FUND PENSION BOARD

24TH APRIL 2018

DYFED PENSION FUND COMMITTEE MEETING 14TH MARCH 2018

RECOMMENDATIONS / KEY DECISIONS REQUIRED:

The Pension Board to note and comment on the minutes and actions of the Dyfed Pension Fund Committee meeting on 14/03/2018.

REASONS:

To inform the Pension Board of the meeting of the Dyfed Pension Fund Committee that was held by on 14/03/2018.

Report Author:
Chris Moore

Designation:
Director of Corporate Services,
Carmarthenshire County
Council

Tel No.
01267 224120
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EXECUTIVE SUMMARY

DYFED PENSION FUND PENSION BOARD 24TH APRIL 2018

DYFED PENSION FUND COMMITTEE MEETING 14TH MARCH 2018

BRIEF SUMMARY OF PURPOSE OF REPORT

A Pension Fund Committee meeting was held on 14/03/2018 and the following agenda items were considered and noted:

- Audit Plan 2018
- Budget Monitoring as at 28 February 2018
- Budget 2018-2019
- Cash Reconciliation as at 31 January 2018
- Breaches Report
- Risk Register
- Governance Policy and Compliance Statement
- MIFiD II update

The minutes of the meeting are also attached for information.

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance NONE	Risk Management Issues NONE	Staffing Implications NONE
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Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:
THERE ARE NONE

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2018 Audit Plan – Dyfed Pension Fund

Audit year: 2017-18

Date issued: February 2018

Document reference: 455A2018-19

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document was produced by John Herniman, Jason Garcia and Kate Havard.

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2018 Audit Plan

Summary

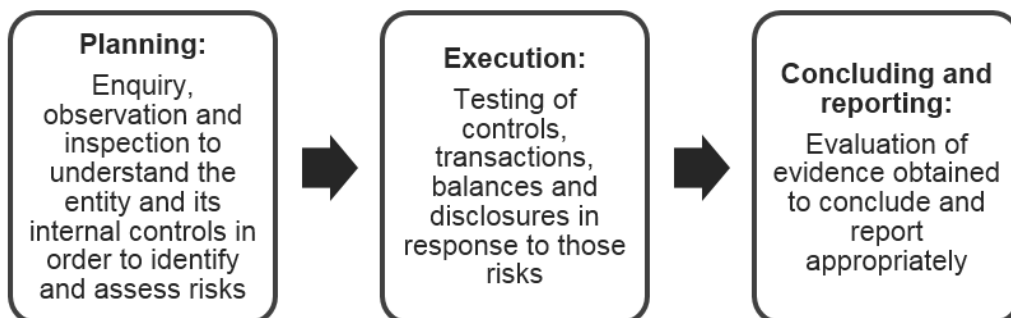
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Dyfed Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of Pension Fund accounts

- 5 It is my responsibility to issue a report on the accounting statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.

[Appendix 1](#) sets out my responsibilities in full.
- 6 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



7 The risks of material misstatement, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: financial audit risks

Financial audit risk	Proposed audit response
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
<p>Investment Management</p> <p>The systems and records of the investment managers generate account entries made to the Pension Fund Account and Net Assets Statement.</p> <p>The investment managers provide internal controls reports on the investments held on behalf of the Pension Fund. These are independently audited and provide the Pension Fund with assurance on a wide range of controls, eg valuation of the investment portfolio held.</p> <p>There is a risk that the internal controls' reports will not be available in the necessary timescales and, when received, highlight specific control weaknesses.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • assess the investment managers as a service organisation; • obtain direct confirmation from the investment managers and custodian of year-end investment balances and holdings; and • assess whether the investment manager's internal control reports for all investment managers provide assurance over a wide range of relevant controls, including valuation of investments held.
<p>Unquoted investment assets</p> <p>Year-end valuations of unquoted property investments are provided by investment managers which are based upon forward looking estimates and judgements and industry guidelines. As there is no quoted market price, there is a greater risk for the reasonableness of valuation bases of these investments.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • confirm the investment valuations to audited financial statements; and • seek additional assurance over the valuation basis from controls assurance reports where available.

Financial audit risk	Proposed audit response
<p>Financial Statements Production</p> <p>The timetable for producing the financial statements remains demanding. Management will need to ensure that appropriate arrangements are in place for the preparation and oversight of robust financial statements that comply with CIPFA's Code of Practice on Local Authority Accounting ('the Code'). In addition, ensuring good quality working papers are provided on the commencement of the audit, with both these and the statements having been subject to appropriate senior management review.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • provide support and advice wherever possible without compromising our independence; • provide an audit deliverables report to assist in the preparation of relevant working papers in support of the financial statements; • review closedown plans to assess that arrangements are in place to produce robust financial statements within the prescribed timetable; • agree a timetable for the audit and certification of the financial statements; and • assess whether the financial statements comply with the Code.
<p>Benefits payable</p> <p>The Local Government Pension Scheme has been subject to significant reform over recent years leading to changes in the benefit structure of the scheme, with transitional arrangements in place for those within ten years of retirement at the dates of these reforms. These changes, along with the complexity of the benefit structure, increase the risk that benefits may be inaccurately calculated which could potentially lead to many years of incorrect payments.</p>	<p>My audit team will assess the risks of inaccurate calculation of pension entitlements and undertake further testing as appropriate.</p>

Financial audit risk	Proposed audit response
<p>All Wales Pension Partnership</p> <p>The eight Pension Funds in Wales have created a pooled investment vehicle which will be overseen and reported on by a joint governance committee. An inter-authority agreement has been signed by the eight Welsh Pension Funds and the joint committee will be producing financial statements for the 2017-18 financial period. However, no investments will be transferred to this new management arrangement until after 1 April 2018.</p> <p>Separate financial statements will need to be prepared for the joint committee which for 2017-18 are only expected to include administration costs of setting up the joint committee. The audit of the joint committee will be subject to a separate audit plan and fee once there is more certainty about the content of the accounts.</p> <p>However, individual Pension Funds will need to consider recognising a share of the 2017-18 joint committee accounts in their financial statements.</p>	<p>My audit team will review progress on this arrangement and consider if there is an impact on the 2017-18 financial statements and what additional disclosures are required.</p>
<p>Triennial actuarial valuation</p> <p>The Pension Fund was subject to a full actuarial valuation as at 31 March 2016. The new contribution rates come into effect on 1 April 2017.</p> <p>There is a risk that these new contribution rates are not fairly reflected in the Pension Fund's financial statements.</p>	<p>My audit team will check that the revised contribution rates have been correctly calculated in the 2017-18 financial statements.</p>
<p>Amendments to Accounts and Audit regulations</p> <p>Welsh Government have issued revised Accounts and Audit regulations for Wales by 31 March 2018. This revised legislation will apply to the 2017-18 financial year.</p> <p>One of the key changes included in this legislation is that Pension Fund accounts are no longer to be incorporated into the administering authority accounts and will need to be produced as a stand-alone document.</p> <p>There is a risk that the pension fund do not comply with this legislative requirement.</p>	<p>My audit team will work with officers to ensure that the new legislative requirements are complied with.</p>

- 8 I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Panel and the Audit Committee as those charged with governance for Carmarthenshire County Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
- 9 For reporting purposes, I will treat any misstatements below a trivial level set at 5% of materiality as not requiring consideration by those charged with governance and therefore I will not report them.
- 10 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

Statutory audit functions

- 11 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 12 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 13 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

Fee

- 14 Your estimated fee for 2018 is set out in [Exhibit 3](#). This figure is consistent with the fee set out in the 2017 audit plan.
- 15 As per our approved Fee Scheme for 2018-19, a small increase has been applied to my fee rates (less than one per cent) which we have looked to offset by a reduction in the time taken to complete the audit.

Exhibit 3: audit fee

Audit area	Proposed fee for 2018 (£)	Actual fee for 2017 (£)
Audit of pension fund accounts ¹	28,322	28,322

- 16 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Corporate Services.
- 17 Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

Audit team

- 18 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

Exhibit 4: my team

Name	Role	Contact number	E-mail address
John Herniman	Engagement Lead – Financial Audit	029 20320566	john.herniman@audit.wales
Jason Garcia	Financial Audit Manager	07854022649	jason.garcia@audit.wales
Kate Havard	Financial Audit Team Leader	07813 449396	kate.havard@audit.wales

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

19 I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

20 I will provide reports, or other outputs as agreed, to the Pension Panel and the Audit Committee, covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: timetable

Planned output	Work undertaken	Report finalised
2018 Audit Plan	January to February 2018	March 2018
Financial accounts work <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements 	February to September 2018	September 2018 September 2018
2019 Audit Plan	October to December 2018	January 2019

Future developments

Well-being of Future Generations (Wales) Act 2015

21 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2016. The Act requires me to report every five years to the National Assembly on how public bodies apply the sustainability principles. During 2016 I consulted on my options for reshaping public audit in Wales and this year have been working collaboratively with a small number of public bodies, to develop an audit approach which is rigorous, meaningful and proportionate. I have also undertaken my first audit work relating to the Act, the Year One Commentary. I will publish a report on my findings in spring 2018 and will share those findings at a national stakeholder event in May 2018.

Other

- 22 Details of other future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 2](#).
- 23 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates.

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Appendix 2

Other future developments

Forthcoming IFRS changes

Exhibit 6: forthcoming IFRS changes

Standard	Effective date	Further details
IFRS 9 financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.

General Data Protection Regulation (GDPR)

The GDPR is a new data protection law for the whole of the EU applicable from 25 May 2018, which has the intention of harmonising and updating data protection laws. The UK Government has introduced the Data Protection Bill which will incorporate the GDPR into UK law and replace the 1998 Data Protection Act, and which it intends will also come into force on 25 May 2018.

The GDPR introduces new requirements for personal data processing, including an accountability principle which will require more detailed records of the processing of personal data, evidence of compliance with the data protection principles and the technical and organisational security measures taken to protect the data. We are updating our own policies, processes and documentation with a view to meeting these requirements and expect that the bodies we audit will be taking similar steps. Key areas of additional work include the use of more detailed fair processing notices, more privacy impact assessments and more extensive record keeping in relation to processing activities.

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared online.

The focus of GPX events include financial management, public sector staff and governance. Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

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Dyfed Pension Fund									
Budget Monitoring									
1st April 2017 - 28th February 2018									
	Budget Type	Actual 2016-17	Budget 2017-2018	Total income/ expenditure to date	Forecast Commitments	Actual income/ expenditure at year end	End of year variance		Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%	
Expenditure									
Benefits Payable	Both	71,900	72,201	66,571	6,108	72,679	478	0.7	
Pensions Payable	Controllable	57,025	59,201	54,326	4,938	59,264	63		2.5% additional budget includes new pensioners and pension increase. Forecast increase now estimated at 2.5%.
Commutation and lump sum retirement benefits	Non Controllable	13,041	11,500	10,993	1,000	11,993	493		Forecast based on activity to date
Lump sum death benefits	Non Controllable	1,834	1,500	1,252	170	1,422	-78		Forecast based on activity to date
Payments to and account of leavers	Non Controllable	3,452	4,100	1,881	160	2,041	-2,059	-50.2	Forecast based on activity to date
Management Expenses		5,531	6,199	5,371	1,171	6,542	343	5.5	
Computer Software	Controllable	205	300	526	-280	246	-54		
Printing charges	Controllable	21	25	11	4	15	-10		
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	76	71	60	4	64	-7		
Fund Managers									
BlackRock	Controllable	1,085	1,360	1,085	380	1,465	105		The US and Corporate Bond which are actively managed have performed well over a rolling 3 years. This has resulted in higher than budgeted Performance fees.
Baillie Gifford	Controllable	980	1,040	897	315	1,212	172		Quarterly fee projected based on December 17 invoices
Columbia Threadneedle	Controllable	860	900	724	245	969	69		Quarterly fee projected based on December 17 invoices
Schroders	Controllable	469	480	363	125	488	8		Quarterly fee projected based on December 17 invoices
Partners Group	Controllable	599	700	557	190	747	47		Quarterly fee projected based on December 17 invoices
Custodian									
Northern Trust	Controllable	50	56	22	8	30	-26		Pooled funds results in lower transactional activity through the Custodian.
Actuary									
Mercer	Controllable	90	68	47	30	77	9		
Performance Manager									
National Framework Providers	Controllable	4	20	1	31	32	12		Northern Trust selected as the Performance provider. £20k fees for 17-18 which includes backloading data to
Independent Advisor									
E. Lambert	Controllable	19	19	26	5	31	12		£10k Strategic Asset Allocation work.
Other									
Euraplan, LSE, Pension Board	Controllable	26	21	26	3	29	8		£5k included for Pension Board Insurance
All Wales Pooling	Controllable	89	100	49	50	99	-1		
Central recharges	Non Controllable	929	1,010	956	54	1,010	0		
Audit fees	Controllable	29	29	21	7	28	-1		
Total Expenditure		80,883	82,500	73,823	7,439	81,262	-1,238		
Income									
Contributions									
Employer	Controllable	-47,261	-48,187	-42,658	-6,036	-48,694	-507	1.1	2017-18 budget based on January 17 contributions including 1% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results
Member	Controllable	-17,815	-17,823	-15,129	-3,002	-18,131	-308	1.7	2017-18 budget based on January 17 contributions including 1% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results
Investment Income	Controllable	-18,595	-16,166	-11,567	-8,498	-20,065	-3,899	24.1	Investment Income based on actuals and commitments to maintain a cash neutral position ensuring expenditure is covered. Budget was based on historic dividend income.
Other Income	Controllable	-58	-60	-4	0	-4	56	-93.2	3rd Party Provider invoices now raised through Pensions Administration budget within Carmarthenshire's accounts.
Transfers in from other pension funds	Non Controllable	-1,889	-2,000	-1,171	-150	-1,321	679	-34.0	
Total Income		-85,618	-84,236	-70,529	-17,686	-88,215	-3,979		
Cash									
Transfer to Fund Managers	Cash	2,500	0	6,900	0	6,900	6,900		£5m BlackRock and £1.9m Partners Group
Net Total of Cash Related Items		-2,235	-1,736	10,194	-10,247	-53	1,683		Maintaining a cash neutral position by calling sufficient cash to cover expenditure.
Indirect Transactional Management Fees	Non Cash	1,898	650	0	1,500	1,500	850		New CIPFA Management cost guidance. Estimate based on 16-17 with a reduction due to the move from segregated passive to pooled funds
Investment Income	Non Cash	-12,866	-8,150	-1,563	-1,705	-3,268	4,882	-59.9	Schroders income now paid out as cash rather than re-invested.
Realised gain/loss	Non Cash	-52,245	-50,000	-136,811	0	-136,811	-86,811	173.6	Realised gains from the passive portfolio transition from segregated to pooled in April 17.
Net Total of Non-Cash Related Items		-63,213	-57,500	-138,374	-205	-138,579	-81,079		

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Dyfed Pension Fund								
Budget								
1st April 2018 - 31st March 2019								
	Budget Type	Actual 2016-2017	Budget 2016-2017	Budget 2017-2018	Budget 2018-2019	Budget Variance		Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (b)	£ '000 (e)	£ '000 (f)	%	
Expenditure								
Benefits Payable	Both	71,900	72,182	72,201	76,699	4,498	6.2	Budget includes £4m for 3% pensions increase (based on CPI) and 2.5% net effect of new and deferred pensioners.
Pensions Payable	Controllable	57,025	57,682	59,201	63,199	3,998		
Commutation and lump sum retirement benefits	Non Controllable	13,041	13,000	11,500	12,000	500		Budget based on likely outturn for 17-18.
Lump sum death benefits	Non Controllable	1,834	1,500	1,500	1,500	0		Budget based on likely outturn for 17-18.
Payments to and account of leavers	Non Controllable	3,452	4,100	4,100	2,620	-1,480	-36.1	
Management Expenses		5,874	5,509	6,199	7,168	969	17.6	
Computer Software	Controllable	205	300	300	350	50		
Printing charges	Controllable	21	40	25	20	-5		Reduction in printing fees due to electronic access to statements.
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	58	59	73	68	-5		Budget based on likely outturn for 17-18.
Fund Managers								
BlackRock	Controllable	1,427	1,360	1,360	1,520	160		Budget based on likely outturn for 17-18 with approximate 5% market value increase.
Baillie Gifford	Controllable	980	816	1,040	1,320	280		Budget based on likely outturn for 17-18 with approximate 5% market value increase.
Columbia Threadneedle	Controllable	860	730	900	1,000	100		Budget based on likely outturn for 17-18 with approximate 5% market value increase.
Schroders	Controllable	469	460	480	520	40		Budget based on likely outturn for 17-18 with approximate 5% market value increase.
Partners Group	Controllable	599	600	700	800	100		Budget based on likely outturn for 17-18 with approximate 5% market value increase.
Custodian								
Northern Trust	Controllable	50	44	56	30	-26		Budget based on likely outturn for 17-18.
Actuary								
Mercer	Controllable	90	108	68	70	2		Budget based on likely outturn for 17-18. Tender Imminent.
Performance Manager								
Northern Trust / PIRC / CEM	Controllable	4	17	20	26	6		New contracts in place for quarterly performance services, cost monitoring and LGPS universe benchmarking.
Independent Advisor								
E. Lambert	Controllable	19	19	19	20	1		
Other								
Euraplan, LSE, Pension Board	Controllable	19	26	19	23	4		
Wales Pension Partnership	Controllable	115	0	100	200	100		Additional budget required to cover operator fees, custodian fees, depository fees when the Global equities sub fund launches September 2018.
Central recharges	Non Controllable	929	901	1,010	1,172	162		Central Recharges has been revised for 18-19. Includes the new pensions administration structure.
Audit fees	Controllable	29	29	29	29	0		
Total Expenditure		81,226	81,791	82,500	86,487	3,987		
Income								
Contributions								
Employer	Controllable	-47,261	-46,403	-48,186	-50,515	-2,329	5.0	2018-19 budget based on December 17 contributions including 2% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results.
Member	Controllable	-17,815	-17,546	-17,823	-18,640	-817	4.7	2018-19 budget based on December 17 contributions including 2% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results.
Investment Income	Controllable	-18,595	-16,473	-16,166	-15,832	334	-2.0	Dividend income is now reinvested. Investment income will be called upon as per cash flow requirements. £15.8 million cash required to breakeven. £6m approximately from Schroders income and the balance to be called from BlackRock.
Other Income	Controllable	-58	-100	-60	0	60	-60.0	Budget not required for 18-19. 3rd party administration invoices now raised against Pensions Administration budget within Carmarthenshire.
Transfers in from other pension funds	Non Controllable	-1,889	-2,000	-2,000	-1,500	500	-25.0	Budget based on likely outturn for 17-18.
Total Income		-85,618	-82,522	-84,235	-86,487	-2,252		
Total		-4,392	-731	-1,735	0	1,735		Net budget Zero. Income can be managed to suit cashflow requirements.
Cash Transfer to Fund Managers	Cash	2,500	0	0	0	0		
Net Total of Cash Related Items		-1,892	-731	-1,735	0	1,735		
Indirect Transactional Management Fees	Non Cash	1,898	0	650	1,900	1,250		New CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds
Investment Income	Non Cash	-12,866	-7,500	-8,150	-1,900	6,250	-83.3	Contra entry to the Indirect transactional fees
Realised gain/loss	Non Cash	-52,245	-50,000	-50,000	-50,000	0	0.0	Non Controllable. To cover portfolio rebalances. No impact to cash.
Net Total of Non-Cash Related Items		-63,213	-57,500	-57,500	-50,000	7,500		

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Dyfed Pension Fund Cash Reconciliation

January 2018

Balance b/f 1st April 2017		£7,889,853.14
Investment trades		
Sales	258,970,613.12	
Purchases	-266,843,070.03	
		-£7,872,456.91
Contributions received	£58,302,134.78	
Payments made	-£66,637,391.08	
Dividend Income	£12,959,324.45	£4,624,068.15
		£4,641,464.38
Total Available for Investment		£4,641,464.38
Represented by :		
Cash at Carmarthenshire		£5,303,035.85
Cash due to be received/deducted		£0.00
CCC Debtors		-£174,731.96
CCC Creditors		-£486,839.51
		£4,641,464.38
		£0.00

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Breaches Report

Breach Number	Year	Date of Breach / Likely Breach	Failure Type	A description of the breach (including relevant dates), its cause and effect, including the reasons it is, or is not, believed to be of material significance	Been reported to tPR before	RAG Status	Report to tPR	Actions taken to rectify the breach. A brief descriptions of any longer term implications and actions required to prevent similar types of breaches recurring in the future
1	2016-17	22/11/16 22/12/16	Contributions	Oct EES (£1,139.27) & Nov ERS (£2,897.77) contributions not received until 24/11/16 & 26/12/16 respectively - 3 & 6 days late. Cause: EES - not contacted, received within 3 days, ERS - miscommunication internally within departments Effect: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date
2	2016-17	22/5/16 22/6/16	Contributions	April (£17,067.42) & May (£16,700.40) contributions not received until 3/6/16 & 24/6/16 respectively - 12 & 2 days late. Cause: Inadequate system in place Effect: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since June
3	2016-17	22/5/16 22/6/16 22/7/16	Contributions (PSD)	April, May & June (£3,999.99) Past Service Deficit payment not received until 3/6/16, 30/6/16 & 28/7/16 respectively - 12, 8 and 6 days late. Cause: Internal issues, now resolved Effect: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since July
4	2016-17	22/5/16 22/6/16 22/7/16 22/9/16	Contributions (PSD)	April, May, June & September (£377) Past Service Deficit payment not received until 25/7/16, 25/7/16, 25/7/16 & 5/10/16 respectively - 64, 33, 3 and 13 days late. Cause: Staff changes and banking issues Effect: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since September
5	2016-17	19/7/16	Contributions	Apr - June (£452.58) quarterly contributions not received until 30/8/16 - 42 days late. Cause: The cheque had gone lost, new cheque issued once we managed to get hold of her Effect: Contributions now been received and next quarters paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid the last quarterly contributions on time
6	2016-17	19/10/16	Contributions	July - September (£6,102.79) quarterly contributions not received until 1/11/16 - 13 days late. Cause: On annual leave, no cover Effect: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions up to date
7	2016-17	19/10/16	Contributions	September (£1,203.40) contributions not received until 26/10/16 - 7 days late. Cause: On annual leave, no cover Effect: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since October
8	2016-17	22/10/16	Contributions	September (£591.73) contributions not received until 31/10/16 - 9 days late. Cause: On annual leave, no cover Effect: Contributions now been received and subsequent months paid on time	No	Amber	No Report	There are no long term implications associated with this breach. The employer has paid contributions on time since October
9	2016-17	22/11/16	Contributions (PSD)	October (£525) Past Service Deficit payment not received until 28/11/16 - 7 days late. Cause: On annual leave, no cover Effect: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date
10	2016-17	19/1/17	Contributions	December (£2,492.10) contributions not received until 30/1/17 - 11 days late. Cause: Usual employee on annual leave, left for a colleague to action but not done Effect: Contributions now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date

11	2016-17	19/1/17	Contributions (PSD)	December (£91) Past Service Deficit payment not received until 14/2/17 - 26 days late. Cause: Due to staff changes, MCNPT have had problems getting 2 new authorised signatories for online payments. Effect: Contributions now been received-payment has been made up until 31/3/17	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
12	2016-17	17/2/17	Contributions	January (£578.17) contributions not received until 24/02/2017 - 2 days late. Cause: payment overlooked by staff. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
13	2016-17	17/3/17	Contributions	February (£106,820.56) contributions not received until 29/03/2017 - 7 days late. Cause: Accountancy Manager on sick leave - payment overlooked by other staff. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
14	2016-17	17/3/17	Contributions (PSD)	February (£1,333.33) Past Service Deficit payment not received until 24/03/2017 - 7 days late. Cause: Finance Manager forgot to do payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
15	2016-17	22/4/17	Contributions	March (£2,626.38) contributions not received until 25/04/2017 - 3 days late (BACS). Cause: Finance Officers were not at work when payment was due to be made (see email). Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
16	2016-17	19/4/17	Contributions	March (£1,438.04) contributions not received until 21/04/2017 - 2 days late. Cause: The only person who can process the payment was on leave during April (see email). Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
17	2017-18	19/7/17	Contributions	June (£1,664.93) contributions not received until 24/07/2017 - 5 days late. Cause: Received late due to Royal Mail. Clerk states that payment was sent to us before 19th of month (payment is normally received early-see email). Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
18	2017-18	19/7/17	Contributions	June (£1,462.27) contributions not received until 20/07/2017 - 1 day late. Cause: Email received 14/07/2017 informing us that the payment will be late due to them moving to Pay Connect and 1 employee was late returning a form. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
19	2017-18	22/7/17	Contributions (PSD)	April-June (£4,181) Past Service Deficit payment not received until 28/07/2017 - 6 days late. Cause: Finance Officer off sick and works part-time. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
20	2017-18	22/7/17	Contributions (PSD)	June (£550) Past Service Deficit payment not received until 25/07/2017 - 3 days late. Cause: Finance Officer was on leave (see email). Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
21	2017-18	22/9/17	Contributions	August contributions not received until 6/10/2017 - 14 days late. Cause: Internet banking has been unavailable due to change of account number with bank. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.

22	2017-18	19/10/17	Contributions	September contributions not received until 23/10/2017 - 4 days late. Cause: Linked to a late payment of salaries. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
23	2017-18	22/10/17	Contributions	September contributions not received until 23/10/2017 - 1 day late. Cause: Didn't complete all stages for online banking therefore payment didn't leave the account. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
24	2017-18	22/10/17	Contributions (PSD)	July-September quarter contributions payment not received until 27/10/2017 - 5 days late. Cause: Dual authorisation process introduced-has had some problems with it . Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
25	2017-18	22/11/17	Employers Contributions	October ERS contributions not received until 1/12/17 - 9 days late. Cause: due to the reorganisation of the payment making process within the department that normally makes the payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
26	2017-18	22/11/17	Contributions	October contributions not received until 5/12/17 - 13 days late. Cause: Finance Officer off sick, person covering didn't make payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
27	2017-18	22/12/2017	Contributions	November contributions not received until 15/01/2018 - 24 days late. Cause: Finance Officer & other key members of staff off sick. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
28	2017-18	22/1/18	Contributions	December contributions not received until 24/01/2018 - 2 days late. Cause: Finance Officer off sick. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
29	2017-18	22/1/18	Contributions	December contributions not received until 7/2/2018 - 16 days late. Cause: Swim Narberth pool has been closed to staff for the past 3 months as major renovation work going on, manager had to contact committee to make payment. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
30	2017-18	19/1/18	Contributions (chq)	December contributions not received until 06/02/2018 - 18 days late. Cause: Clerk in hospital for previous 3 weeks-his job is not covered when he is ill. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
31	2017-18	22/1/18	PSD	December contributions not received until 30/01/2018 - 8 days late. Cause: Online banking issues (see attached email). Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
32	2017-18	19/1/18	Contributions (chq)	December contributions not received until 22/01/2018 - 3 days late. Cause: Delay in getting second signatory to sign cheque. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
33	2017-18	22/1/18	PSD	December contributions not received until 23/01/2018 - 1 day late. Cause: Finance Officer on compassionate leave. Effect: Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
34	2017-18	22/2/18	Contributions	January contributions not yet received but payment will be received by end of w/e 9/3/18. Cause: Officer didn't inform Finance Dept to make payment and was then on leave. Effect: Contributions will be received by end of w/e 9/3/18	No	Amber	No Report	There are no long term implications associated with this breach caused by human error.

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Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400001 - Failure to comply with LGPS regulations as well as other overriding regulations	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Altair Development Officer undertakes Altair system checks to ensure compliance with LGPS regulations Network Groups (Altair & LGPC) Communication & Training Officer Communication & Training Officer responsible for the maintenance of Online Procedure manuals, and the provision of training to all section staff and employing bodies via site visits. Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements Technical Officer ensures legislative accuracy of calculations 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Substantial 4	Improbable 1	Low 4

Risk Assessment Form

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Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400002 - Failure to respond to major change to the LGPS following Public Sector Pension Review	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Participation in all high level Government discussions and consultations Ensure best practice is implemented and DPF is seen as a centre of excellence for pension administration Continue to be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits Society of Welsh Treasurers review the suitability of existing and any new pension fund arrangements 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager Pensions Manager Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Improbable 1	Low 4

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> • CIPFA Pensions Network membership • Technical Officer ensures legislative accuracy of calculations 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager				
CSV400003 - Failure to process accurate pension benefits payments, including lump sum payments, in a timely manner	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> • Payroll deadline procedures in place • Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer • Altair Development Officer is responsible for regular system checks regarding calculations • Communication & Training Officer liaises closely with all employing authorities to ensure timely submission of information to DPF 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Assessment Form

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Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> • Item in Business Continuity/Disaster Recovery Plan • Participate in National Fraud Initiative (NFI) • Life Certificates exercise carried out for all cheque payments • Undertake reviews of monthly performance to ensure service standards are maintained • IT Contingency/Resilience Plan in place 	Pensions Manager				
<p>CSV400004 - Failure to collect and account for full receipt of contributions from employers and employees on time</p> <p>Failure to collect full receipt of pension contributions from employees and employers in line with Regulation guidelines.</p> <p>Failure of employers' financial systems; absence of key staff; failure to communicate with employers</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> • Contributions monitoring procedures 	Pensions Manager and Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>effectively; failure of key systems such as on-line banking and/or financial ledger.</p> <p>Possible adverse audit opinion; negative cash flow position; delays in producing IAS19 accounting reports; delays in closure of year end accounts; employers forced to leave the scheme.</p>				<ul style="list-style-type: none"> • Formal timescales for receipt of contributions • Budget set and monthly monitoring against the budget • Escalation of non receipt of contributions • Systems Audit undertaken by Internal Audit and External Auditors 	<p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p>				

Risk Assessment Form

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Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400005 - Failure to keep pension records up to date and accurate	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Senior Officers liaise closely with employing authorities to ensure timely and accurate submission of data to DPF i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis Data accuracy checks undertaken by the pension section prior to continual validation on workflow system Data integrity validation is performed monthly by Altair Development Officer Data validation checks also undertaken by the DPF's partners (e.g.the Actuary at Valuation) Additional validation carried out through NFI Opportunity to escalate non-compliance 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Assessment Form

Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400006 - Failure to hold personal data securely	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> • Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls • Disaster Recovery Plan for pensions system • Authorised users have unique usernames and passwords must be changed every 60 days • Documentation is scanned on to the pensions system and paper copies are held for a period of 3 months before shredding • Compliance with the Data Protection Act 1998 • Compliance with the Authority's in-house IT policies • Systems and Payroll audit undertaken annually 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Assessment Form

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Organisation/Department/Function/Project: **Dyfed Pension Fund 2017**

Manager: **Pensions Manager and Treasury & Pensions Investments Manager**

Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400007 - Loss of funds through fraud or misappropriation in administration related functions	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Internal and external audit checks performed to ensure that appropriate and effective controls are in place Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer and Pensions Officer Altair Development Officer undertakes data integrity checks Systems and Payroll audit undertaken annually 	Pensions Manager Pensions Manager Pensions Manager Pensions Manager		Moderate 2	Unlikely 2	Low 4
CSV400008 - Normal operations disrupted by uncontrollable external factors Service delivery threats from fire, bomb, extreme weather, electrical faults, sickness epidemic, etc. Insufficient daily back up, disaster recovery, and IT cover to support systems. Temporary loss of ability to provide	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls Disaster Recovery Plan for pensions system with the software provider 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

Risk Assessment Form

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
service to stakeholders.				<ul style="list-style-type: none"> Data stored on one of Council's stand alone IT servers 	Pensions Manager and Treasury & Pensions Investments Manager				
CSV400009 - Inability to keep service going due to loss of main office, computer system, or staff	Moderate 2	Unlikely 2	Low 4	<ul style="list-style-type: none"> Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls Disaster Recovery Plan for pensions system 	Pensions Manager Pensions Manager		Moderate 2	Improbable 1	Very Low 2
CSV400010 - Lack of expertise among some Pension Administration officers	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> Personal development plan in place to support the development of each officer in the Section Specific courses / seminars attended by officers to further their knowledge and understanding 	Pensions Manager Pensions Manager		Significant 3	Improbable 1	Very Low 3

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400011 - Over reliance on key Pensions Administration and Investment Officers</p> <p>Specialist nature of the work means there are relatively few experts in Investments and the Local Authority Pensions Regulations.</p> <p>Significant knowledge gap left if experts leave.</p>	<p>Significant</p> <p>3</p>	<p>Possible</p> <p>3</p>	<p>Medium</p> <p>9</p>	<ul style="list-style-type: none"> • Key officers convey specialist knowledge to colleagues on a function or topic basis by mentoring • Enhance training by bespoke sessions / courses / workshops • Specific relevant qualifications for administration and investment staff • External consultants and independent adviser available for short term assistance 	<p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p>		<p>Significant</p> <p>3</p>	<p>Unlikely</p> <p>2</p>	<p>Medium</p> <p>6</p>

Risk Assessment Form

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Date: **5 March, 2018**

Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400012 - Failure to appropriately attract, manage, develop, and retain staff at all levels	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Training and Development Plan established 	Pensions Manager		Substantial 4	Improbable 1	Low 4
<p>CSV400013 - Failure to communicate properly with stakeholders Lack of clear communications.</p> <p>Scheme members are not aware of their rights and entitlements, are distanced from the Fund, which could lead to a reduction in new members and an increase in leavers.</p> <p>Communication with investment managers, custodian, independent adviser, fund employers, pensioners, scheme members, actuary and government organisations.</p>	Significant 3	Unlikely 2	Medium 6	<ul style="list-style-type: none"> Dedicated Communication & Training Officer post established Dedicated Communication & Training Officer will continue to fulfil all the communication requirements of the DPF, in accordance with the Communications Policy Statement Comprehensive website is continually updated and developed My Pension Online is used to enhance the service provided to scheme members 	<p>Pensions Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p>		Significant 3	Improbable 1	Very Low 3

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> Quarterly meetings with independent adviser and investment managers Communications Policy in place Annual Employer & Consultative Meeting 	Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager Pensions Manager and Treasury & Pensions Investments Manager				
CSV400014 - No appropriate procedures for Employer bodies transferring out of the pension fund or Employer bodies closing to new membership	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Inter valuation monitoring and rate reassessment if appropriate Identification of any issue and resolution via regular site visits by Communication & Training Officer 	Pensions Manager Pensions Manager		Significant 3	Unlikely 2	Medium 6

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
				<ul style="list-style-type: none"> Requirement for employing authorities to issue termination forms for each active member Validation of membership numbers Employer covenant checks 	Pensions Manager Pensions Manager Pensions Manager				
CSV400015 - Liquidity/cashflow risk - insufficient funds to meet liabilities as they fall due Failure of employers to pay contributions on time; low dividend income; significant number of liabilities paid out at the same time. Immediate cash contribution would be required via employers; delay in the payment of promised liabilities; negative publicity and an adverse audit report.	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Monthly cash and dividend reconciliations Quarterly monitoring of investment managers by Pension Panel Appointment of custodian 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8

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Risk (Threat to achievement of business objective)	Assessment of Uncontrolled Risk (Assume NO controls in place)			Risk Control Measures	Assigned To	Target Date (Priority)	Assessment of Current Risk (Assume CURRENT controls in place)		
	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
CSV400016 - Loss of funds through fraud or misappropriation in investment related functions Fraud or misappropriation of funds by an employer, investment managers or custodian. Financial loss to the fund.	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Internal and External Audit regularly test that appropriate controls are in place and working Regulatory control reports from investment managers, custodian, etc., are also reviewed by audit. Due diligence is carried out whenever a new manager is appointed. Reliance also placed in Financial Conduct Authority registration. Quarterly monitoring by Pension Panel and Independent Adviser 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400017 - Excessive levels of Pension Fund Cash held within Carmarthenshire County Council investment balances	Significant 3	Unlikely 2	Medium 6				Significant 3	Improbable 1	Very Low 3

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>High dividend / interest receipts and low benefit payments being made in period.</p> <p>Lower cash like return instead of equity or bond investment returns.</p>				<ul style="list-style-type: none"> • Monthly cash reconciliations and separate pension fund bank accounts • Quarterly monitoring by Pension Panel • Internal Audit and Wales Audit Office review 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>				
<p>CSV400018 - Significant rises in employer contributions due to increases in liabilities or fall in assets</p> <p>Scheme liabilities increase disproportionately as a result of increased longevity or falling bond yields. Poor economic conditions, incorrect investment strategy, poor selection of investment managers.</p> <p>Poor / negative returns leading to potential increase in employer's costs.</p>	<p>Substantial 4</p>	<p>Likely 4</p>	<p>Significant 16</p>	<ul style="list-style-type: none"> • Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy • Quarterly monitoring of investment managers by Pension Panel • Diversified Strategic Asset Allocation 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant 3</p>	<p>Possible 3</p>	<p>Medium 9</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400019 - Lack of expertise on Pension Fund Panel and / or amongst Officers Lack of training, continuous professional development and 4 year election cycle.</p> <p>Flawed recommendations given to Pension Fund Panel which, unchallenged, could lead to incorrect decisions being made.</p>	<p>Significant 3</p>	<p>Likely 4</p>	<p>High 12</p>	<ul style="list-style-type: none"> • Ensure Officers are trained and up to date in key areas through courses, seminars, reading, discussions with consultants, etc. • Members given induction training on joining Panel with subsequent opportunities to attend other specialist training. • Members' training plan and Governance Policy established • Specialist assistance available from consultants and independent adviser 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant 3</p>	<p>Possible 3</p>	<p>Medium 9</p>
<p>CSV400020 - Failure of Investment Strategy to deliver investment objectives Inaccurate triennial valuation assumptions used. Incorrect recovery period used.</p> <p>Funding level decreases; employer</p>	<p>Significant 3</p>	<p>Possible 3</p>	<p>Medium 9</p>	<ul style="list-style-type: none"> • Qualified Actuary makes assumptions and recommends appropriate recovery period and strategy. 	<p>Treasury & Pensions Investments Manager</p>		<p>Significant 3</p>	<p>Improbable 1</p>	<p>Very Low 3</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
contribution rates become unacceptable, causing potential increase in employer's costs.				<ul style="list-style-type: none"> Independent Investment adviser employed to assist the panel in making informed decisions. 	Treasury & Pensions Investments Manager				
CSV400021 - Prolonged failure of investment managers to achieve the returns specified on their mandates Under-performance by the investment managers; lack of monitoring and challenging by the Panel.	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Quarterly monitoring of investment managers and performance company reports by investment team and Pension Panel. 	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
CSV400022 - Concentration risk - single asset class having disproportionate impact on investment objectives Risk of the performance of a single asset class having a disproportionate impact on the ability to meeting investment objectives. Inappropriate investment strategy following the triennial valuation, including lack of diversification. Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Establish & review diversified strategic asset allocation Proactive in decision making 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400023 - Counterparty risk - risk of other party in a transaction failing to meet its obligation to the fund This arises from deposits held with banks and other financial institutions, as well as credit exposures to the fund's members and employers.</p> <p>Loss of capital; decrease in asset values; cost of legal proceedings; adverse publicity.</p>	Moderate 2	Possible 3	Medium 6	<ul style="list-style-type: none"> Set appropriate parameters with fund managers and custodian to limit exposure to default risk 	Treasury & Pensions Investments Manager		Moderate 2	Unlikely 2	Low 4
<p>CSV400024 - Interest rate risk Arises from risk of exposure to significant interest rate movements on investments.</p> <p>Bond yields and cash decrease in value.</p>	Moderate 2	Unlikely 2	Low 4	<ul style="list-style-type: none"> Establish & review diversified strategic asset allocation 	Treasury & Pensions Investments Manager		Moderate 2	Improbable 1	Very Low 2
<p>CSV400025 - Discount rate risk Use of inappropriate discount rate to estimate future liabilities.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing potential increase in employers' costs.</p>	Significant 3	Possible 3	Medium 9	<ul style="list-style-type: none"> Engage qualified actuary to make assumptions Engage independent adviser to assist the panel in making informed decisions 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400026 - Price risk The equity investments held exposes the fund to risk in relation to the market price of its investments.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.</p>	Substantial 4	Possible 3	High 12	<ul style="list-style-type: none"> Establish & review a diversified strategic asset allocation. Anticipate long term returns on a prudent basis. 	Treasury & Pensions Investments Manager Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9
<p>CSV400027 - Foreign exchange risk The fund holds financial assets and liabilities denominated in foreign currencies. It is therefore exposed to an element of risk in relation to currency fluctuation.</p> <p>Funding level decreases; employer contribution rates become unacceptable, causing a potential increase in employers' costs.</p>	Moderate 2	Possible 3	Medium 6	<ul style="list-style-type: none"> Establish & review diversified (within regions) strategic asset allocation 	Treasury & Pensions Investments Manager		Moderate 2	Unlikely 2	Low 4
<p>CSV400028 - Failure to meet statutory deadlines leading to qualification of the accounts Lack of planning for closure of accounts; lack of training; loss of expert knowledge.</p>	Substantial 4	Unlikely 2	Medium 8	<ul style="list-style-type: none"> Timetabled Audit Committee cycles 	Treasury & Pensions Investments Manager		Substantial 4	Improbable 1	Low 4

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
Qualified audit report; potential bad publicity; members' loss of confidence on officers' abilities.				<ul style="list-style-type: none"> • Liaise with external audit • Establish closedown timetable • Establish WAO working paper guidance & planning document • Excellent time management skills 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>				
<p>CSV400029 - Adequate skilled resources not available for accounts preparation</p> <p>Lack of training; loss of expert knowledge; annual or study leave.</p> <p>Qualified audit report; unsatisfactory internal audit report; failure to meet statutory closure deadlines; employee stress.</p>	<p>Significant</p> <p>3</p>	<p>Possible</p> <p>3</p>	<p>Medium</p> <p>9</p>	<ul style="list-style-type: none"> • Appropriate Treasury & Pension Investments structure in place • Arrange training courses and seminars, and mentoring 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Significant</p> <p>3</p>	<p>Unlikely</p> <p>2</p>	<p>Medium</p> <p>6</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400030 - Failure to recover all debts Lack of communication between fund officers and administering authority officers (debtors); lack of monitoring / recovery procedures.</p> <p>Loss of income to the Fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to Fund employers</p>	<p>Substantial 4</p>	<p>Likely 4</p>	<p>Significant 16</p>	<ul style="list-style-type: none"> • Use of specialist debt recovery section within the administering authority • Monthly monitoring of debts due 	<p>Pensions Manager and Treasury & Pensions Investments Manager</p> <p>Pensions Manager and Treasury & Pensions Investments Manager</p>		<p>Moderate 2</p>	<p>Improbable 1</p>	<p>Very Low 2</p>
<p>CSV400031 - Officers acting outside delegated authority Threat of officers making unauthorised decisions or payments.</p> <p>Loss of income to fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>	<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>	<ul style="list-style-type: none"> • Undertake regular review of Standing Orders & Constitution • Report to Executive Board • Monitoring officer role 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Improbable 1</p>	<p>Low 4</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>CSV400032 - Non-performance by Officers and Panel Members Lack of training for officers and members; turnover in officers and members; lack of appraisals; lack of PI monitoring; time constraints for members; conflicting deadlines for officers.</p> <p>Qualified audit report; potential bad publicity; members' loss of confidence in officers' abilities; excessive pressure on officers; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers</p>	<p>Substantial 4</p>	<p>Possible 3</p>	<p>High 12</p>	<ul style="list-style-type: none"> • Establish performance measurement system • Pension Panel member assessments • Officer appraisals in October and March annually • Regular internal and external audits • Establish & review training plan for officers and members 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>
<p>CSV400033 - Failure to operate strict financial and budgetary controls Lack of regular budget monitoring and budget setting; lack of communication between admin and investment</p>	<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>	<ul style="list-style-type: none"> • Quarterly monitoring of budgets 	<p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Improbable 1</p>	<p>Low 4</p>

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	Impact	Probability	Risk Rating				Impact	Probability	Risk Rating
<p>sections; lack of scrutiny of investment managers', consultants', and advisers' fees.</p> <p>Unexpected variances over budget headings; members' loss of confidence in officers' abilities; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.</p>				<ul style="list-style-type: none"> • Quarterly forecasting and profiling of budgets • Closure of accounts to Audit Committee • Monthly meetings between Head of Service, Admin and Investment managers • Monthly reconciliations of contributions, dividends, and pension payroll 	<p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p> <p>Treasury & Pensions Investments Manager</p>				
<p>CSV400034 - Insufficient resources to provide meaningful input to the development of the All Wales pool without having a detrimental impact on the management of the fund</p>	<p>Substantial 4</p>	<p>Possible 3</p>	<p>High 12</p>	<ul style="list-style-type: none"> • Staffing resources to be kept under review to ensure the Fund's interests are properly met when developing investment pooling arrangements 	<p>Treasury & Pensions Investments Manager</p>		<p>Substantial 4</p>	<p>Unlikely 2</p>	<p>Medium 8</p>

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DYFED PENSION FUND

GOVERNANCE POLICY 2018

Introduction

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

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

Purpose of the Governance Policy

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

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

Governance of the Dyfed Pension Fund

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

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

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

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

- To collect employee and employer contributions from participating employers
- To make payments in respect of scheme benefits
- To collect and make pension transfer payments as elected by scheme members
- To determine non policy related discretions as an Employing / Administering Pension Authority
- To undertake Stage 1 determinations on disputes arising from the Local Government Pensions Scheme or related legislation
- To update and maintain the Fund's website
www.dyfedpensionfund.org.uk
- Maintenance and update of membership records
- The calculation and authorisation of benefit payments
- Provision of membership data for actuarial valuation purposes
- Preparation and maintenance of the Communication Policy Statement and the Pensions Administration Strategy Statement.

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

The Pension Committee

Terms of Reference

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

Membership

The Committee comprises of:

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

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

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

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

Committee Meetings

The Pension Committee meets four times a year. All meetings are held in Carmarthenshire.

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

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

The Annual Consultative Meeting (ACM)

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

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

Local Pension Board

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

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

Governance Compliance Statement

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

This Governance Policy will be updated when necessary and reviewed at least annually. The last review was in 2016.

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DYFED PENSION FUND

GOVERNANCE COMPLIANCE STATEMENT

The purpose of the guidance is:

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

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

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

Best Practice Principle A: Structure

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

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

Compliance Statement: Not Fully Compliant

Justification:

The Dyfed Pension Fund Committee exists and meets four times a year. The Committee has three members and a substitute, officers (all from Carmarthenshire County Council) and an independent investment adviser. Other scheme employers, admitted bodies and scheme members do not attend Committee but they are all invited to the annual ACM where all Committee members and advisers report and are available to answer questions. Carmarthenshire County Council officers meet with officers of the other 2 major employers (Pembrokeshire County Council and Ceredigion County Council) after each Committee meeting where Committee minutes are made available. This system is supported by all parties and has worked very well as evidenced by the fact that the investment performance of the Fund is in the top 10% of funds over 10 years.

There is no secondary committee for the Dyfed Pension Fund.

Best Practice Principle B: Representation

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

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

Compliance Statement: Not Fully Compliant**Justification:**

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

Best Practice Principle C: Selection

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

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

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

Compliance Statement: Fully Compliant

Justification:

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

Best Practice Principle D: Voting

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

Compliance Statement: Fully Compliant

Justification:

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

Best Practice Principle E: Training, facility time and expenses

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

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

Compliance Statement: Fully Compliant

Justification:

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

Best Practice Principle F: Meetings (frequency / quorum)

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

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

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

Compliance Statement: Fully Compliant

Justification:

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

Best Practice Principle G: Access

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

Compliance Statement: Fully Compliant

Justification:

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

Best Practice Principle H: Scope

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

Compliance Statement: Fully Compliant

Justification:

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

Best Practice Principle I: Publicity

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

Compliance Statement: Fully Compliant

Justification:

The Dyfed Pension Fund Governance Policy was reviewed and published in March 2011. A Newsletter and Annual Report are produced annually. All published material (including the Governance Policy) are on the Dyfed Pension Fund website.

SUMMARY

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

Dyfed Pension Fund

Markets in Financial Instruments Directive II (MiFID II)

Since the Pension Committee dated 21st September 2017, applications were submitted for Carmarthenshire County Council as administering authority for the Dyfed Pension Fund to opt up to Professional Client status for MiFID II purposes.

The Dyfed Pension Fund was required to establish a Legal Entity Identifier number (LEI). This was set up in October. Dyfed Pension Fund's LEI is: 549300H9T06XDBE5GN14

Company Name	Role	Application Status	Notes
BlackRock	Investment Manager	Application submitted October 2017	Opt up complete
Schroders	Investment Manager	Application submitted October 2017	Opt up complete
Partners Group	Investment Manager	Application submitted October 2017	Opt up complete
Baillie Gifford	Investment Manager	Application submitted October 2017	Opt up complete
Columbia Threadneedle	Investment Manager	Application submitted October 2017	Opt up complete
Northern Trust	Custodian	Application submitted October 2017	Opt up complete.
Hymans Robertson	Wales Pension Partnership Consultant	Application submitted November 2017	Opt up complete
Standard Life (via Schroders)	Pooled Property investment fund via Schroders	Application submitted November 2017	Awaiting confirmation from Schroders
Link Asset Services	Wales Pension Partnership Operator	Application submitted January 2018	Opt up complete
Russell Investments	Consultants to the Wales Pension Partnership Operator	Application submitted January 2018	Awaiting confirmation

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DYFED PENSION FUND PENSION BOARD

24TH APRIL 2018

WALES PENSION PARTNERSHIP UPDATE

RECOMMENDATIONS / KEY DECISIONS REQUIRED:

The Pension Board to receive an update on the milestones and progress of the Wales Pension Partnership.

REASONS:

To provide the Pension Board with an update on the milestones and progress of the Wales Pension Partnership.

Report Author:
Chris Moore

Designation:
Director of Corporate Services,
Carmarthenshire County
Council

Tel No.
01267 224120
E. Mail:
CMoore@carmarthenshire.gov.uk

DYFED PENSION FUND PENSION BOARD
24THAPRIL 2018

WALES PENSION PARTNERSHIP UPDATE

BRIEF SUMMARY OF PURPOSE OF REPORT

To provide an update on the following:

- Milestones
- Staffing
- Communications
- Governance
- Reporting

DETAILED REPORT ATTACHED?

YES

IMPLICATIONS

Policy, Crime & Disorder and Equalities NONE	Legal NONE	Finance NONE	Risk Management Issues NONE	Staffing Implications NONE
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**Section 100D Local Government Act, 1972 – Access to Information
List of Background Papers used in the preparation of this report:**

THERE ARE NONE

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WPP Joint Governance Committee

Date 28th March 2018

Version 0.1

Key Milestones

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Task	Date	RAG	Comment/Responsible
Agree initial sub-fund	28/03/18	G	Paper provided to OWG for discussion with each Committee
Reporting Template agreed	21/03/18	G	Proposal underway – Link
Investment Manager Agreement	24/05/18	G	Discussions to commence with Fee negotiation process - Link
Approval of Fund Prospectus	24/04/18	G	JGC to approve
FCA Submission	01/05/18	G	
Fund Launch	29/08/18	G	
Agree Funds – Tranche 2	14/06/18	G	Next set of funds in scope to be agreed
Approval of Fund Prospectus	02/08/18	G	
FCA Submission – Tranche 2	16/08/18	G	
Fund Launch – Tranche 2	16/11/18	G	
Agree Funds – Tranche 3	20/09/18	G	
Approval of Fund Prospectus	08/11/18	G	
FCA Submission – Tranche 3	22/11/18	G	
Fund Launch – Tranche 3	22/02/18	G	

Progress to date

Initial Fund Submission

- Initial proposal presented to OWG 26th February 2018
 - Global + Regional, 13 Managers of which 12 were new
 - Global only, 6 Managers of which 5 were new
- Revised proposal presented to OWG 9th March 2018
 - Option 1 Global, 3 existing managers
 - Option 2 Global, 3 existing and 2 new managers
 - Option 3 Global, 2 existing and 3 new managers
 - Option 4 Global , 1 existing and 5 new managers
 - Option 5 Global + Regional, 1 existing and 5 new managers
- Final proposal presented to Treasurers 16th March 2018
 - Option 1a , 2 existing and 1 new manager – Link to appoint managers
 - Option 4a, 7 new managers – Link to appoint Russell as primary manager

Progress to date

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Investment Manager

- Fee negotiations commenced with Investment managers for first fund
- Due Diligence meetings scheduled

Scheme Documents

- Initial draft of base prospectus completed and issued for review

Reporting

- Initial meeting held

Governance

- Meetings held with all committees

Next Steps

- Complete fee negotiations and due diligence Managers – **Link / Russell 10th April 2018**
- Complete scheme documentation for approvals and FCA Submission – **Link 10th April 2018**
- Commence contractuals with 3rd parties: - **Link 19th March 2018**
 - Depositary
 - Custodian
 - Fund Accountant
 - Transfer Agent
 - Investment Manager
 - Letters of Engagement with Auditors, Legal and Tax firms
- Determine jurisdictions for tax filings – **Link 1st May 2018**
- Agree Reporting and commence build – **Link 1st May 2018**
- Document Tranche 2 proposal – **Link 18th April 2018**

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DYFED PENSION FUND COMMITTEE

Wednesday, 14 March 2018

PRESENT: Councillor D.E. Williams (Chair)

Councillors: T.J. Jones and J.G. Prosser.

Also present as an observer:- Councillor D. Thomas.

The following Officers were in attendance:

C. Moore, Director of Corporate Services;
R. Hemingway, Head of Financial Services;
K. Gerard, Pensions Manager;
A. Parnell, Treasury & Pensions Investments Manager;
P. James, Pension Investment Officer;
K. Thomas, Democratic Services Officer.

Democratic Services Committee Room, County Hall, Carmarthen – 2:00pm - 4:15pm

1. APOLOGIES

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest.

3. MINUTES OF THE MEETING HELD ON THE 27TH NOVEMBER, 2017

RESOLVED that the minutes of the meeting of the Committee held on the 27th November, 2017 be signed as a correct record.

4. WALES PENSION PARTNERSHIP - LINK/RUSSELL PRESENTATION

The Chair welcomed to the meeting representatives of Link Asset Services and Russell Investments who had been invited to provide the Committee with an update on the present position relative to the Wales Pension Partnership, specifically the implementation of the pool and fund assets.

The representatives thereupon presented an overview of the operation, investments and expertise of both companies on a world-wide basis together with the approach to be adopted on the establishment of Sub Funds, the appointment of sub fund managers, the current Dyfed Pension Fund and the potential impact of pooled funds.

The Committee noted that work on the establishment of a pooling structure was ongoing with a view, over the coming months to register the 'pooling vehicle' with the Financial Conduct Authority. As part of that process, Link Asset Services would be compiling prospectuses with reports thereon being submitted to the Wales Pension Partnership Joint Governance Committee for approval.

The Committee was afforded the opportunity of asking questions on the presentation, following which, the Chair thanked the representatives for their attendance.

RESOLVED that the presentation be received.

5. 2018 AUDIT PLAN

The Committee received a report on the 2018 Audit Plan for the Dyfed Pension Fund and noted that it would be submitted for formal adoption by the Audit Committee at its meeting to be held on the 23rd March 2018.

The Committee was advised that the Plan followed the same format, as in previous years, with two exceptions. The first related to the establishment of the Wales Pension Partnership and the arrangements for the auditing of its accounts. The second related to the introduction of new Account and Audit Regulations. Current regulations required the Council's and the Pension Fund Audits to be completed as one document with the Audit Office issuing one opinion letter. The new Regulations required the accounts to be audited separately with the Audit Office having to issue two opinion letters.

The Director of Corporate Services confirmed that under the new regulations the Council could split the accounts with its accounts being published by the 30th September and the Dyfed Pension Fund by the 31st December, via the Funds' Annual Report. However, as there was no benefit in delaying the publication of the Fund accounts beyond the 30th September, it was his intention to continue with that arrangement, with the only difference being that separate reports would need to be produced and two Audit Office opinion letters issued.

Reference was made to the Audit Fees, and it was confirmed that the level to be applied to the Dyfed Pension Fund would not be affected by the establishment of the Wales Pension Partnership, as that audit would be undertaken separately. The fee for the Partnership had yet to be determined pending a greater understanding of the level of work which would be required to undertake the audit, with the cost being shared by the 8 Funds.

RESOLVED that the 2018 Audit Plan be received.

6. BUDGET MONITORING 1 APRIL 2017 - 28 FEBRUARY 2018

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

The current position, as at the 28th February, 2018 forecast an underspend of £79.4m for 2017/18. Of that figure, a £1.7m overspend related to cash items that had the most impact on the Funds daily cash flow enabling the fund to maintain a cash neutral position by utilising income generated from investments to cover expenditure. The remaining £81.1m underspend related to non-cash items.

With regard to the Cash items, and based on current activity to date, it was estimated Benefits Payable and Transfers out would be underspent by £1.6m being mainly influenced by the un-controllable nature of lump sum payments and transfers out of the Fund.

Contributions and investment income contributed a further £4.7m underspend as a consequence of the additional investment income required to keep a positive cash flow to cover a £6.9m payment to the Investment Managers to meet investment commitments. The £5.2m underspend less £6.9m payments to the Investment Managers would result in a £1.7m overspend estimate for the year against budget. In cash terms, total expenditure was estimated to be £88.1m set against total estimated income of £88.2m, resulting in a positive cash flow position of £0.1m

With regard to Non-cash items, the £81.1m underspend was attributed to an increased value of realised gains occurring from the segregated equities transition that took place in April 2017 as part of the Wales Pension Partnership Joint Procurement exercise. It was noted that the non-cash items had no impact on the fund's daily cash flow.

The Director of Corporate Services referred to the Fund's income and advised that following the Council's recent decision to establish a Local Authority Trading Company for Careline – trading as Llesiant Delta Wellbeing Ltd (Minute 10.2 of Council held on the 14th February, 2018 refers) the new company was in the process of applying for admitted status to the Dyfed Pension Fund under the Transfer of Undertakings and Protection of Employment Regulations. It was noted that whilst the Committee's approval was not required for admittance, a report would be submitted to its next meeting confirming the appropriate admittance agreement had been signed and that 'Llesiant Delta Wellbeing Ltd' had become an admitted body to the Dyfed Pension Fund

RESOLVED

- 6.1 that the Dyfed Pension Fund Budget Monitoring Report be received;**
- 6.2 That it be noted that Llesiant Delta Wellbeing Ltd was applying to become an admitted body for the Dyfed Pension Fund.**

7. DYFED PENSION FUND BUDGET 2018-2019

The Committee received the Dyfed Pension Fund Budget for 2018/19. It was noted that the cash related expenditure for 2018/19 had been set at £86.5m set against a cash related income of £86.5m resulting in a net budget of £0 which provided the Fund with flexibility to utilise investment income based on cash flow requirements.

The Committee noted that with regard to expenditure levels, Benefits payable had been estimated to be £76.7m which included provision for a 3% pensions increase, based on the September CPI, together with a 2.5% net effect for new pension members. Management expenses had been estimated at £7.2m, of which, £5.2m had been budgeted for investment manager fees.

It was further noted that income contributions had been estimated at £69.2m comprising £50.5m employer and £18.7m employee contributions with those rates having been based on the 2016 valuation plus 2% having been factored in for pay increases in 2018/19. Investment income had been estimated as being £15.8m thereby maintaining a cash neutral budget and ensuring the fund was not retaining a cash surplus which could be invested.

The non-cash related budget had been set at £50m based on an estimate of the realised gains and losses for individual manager portfolio rebalances and sales and purchases within the property portfolios.

The Committee noted that whilst the budget had been estimated upon known factors, it could be subject to a number of variables throughout the year for example financial markets not achieving a 5% increase throughout the year, the number of staff leavers exceeding the estimate and a pay award in excess of the budgeted 2%.

RESOLVED that the Dyfed Pension Fund Budget for 2018/19 be approved.

8. CASH RECONCILIATION AS AT 31 JANUARY 2018

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

It was noted that as at the 31st January, 2018 £5.3m 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.

RESOLVED that the Dyfed Pension Fund Cash Reconciliation report be received.

9. BREACHES REPORT

The Committee received for consideration the Breaches Report in relation to the Dyfed Pension Fund.

The Committee noted that 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 were 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.

The Committee noted that since the last meeting there had been a number of instances where employee/employer contributions had not been received on time, however, all contribution payments were now up to date and no report had been sent to the Pensions Regulator.

RESOLVED that the Breaches Report in relation to the Dyfed Pension Fund be noted.

10. RISK REGISTER

The Committee received for consideration a Risk Register which captured all the risks identified in relation to the functions of the Dyfed Pension Fund.

The register which was regularly monitored and reviewed included information as follows:

- Details of all identified risks
- Assessment of the potential impact, probability and risk rating
- The risk control measures that are in place
- The responsible officer
- Target Date (if applicable)

Members noted that some minor amendments had been made following a review of the register undertaken since the previous meeting in September 2017 for example the inclusion of the Wales Pension Partnership. The risks would be reviewed quarterly, and any identified risks would be drawn to the Committee's attention.

RESOLVED that the Risk Register be approved.

11. GOVERNANCE POLICY AND COMPLIANCE STATEMENT 2018

The Committee considered a report on a review undertaken of the Dyfed Pension Funds Governance Policy and Compliance Statement for 2018 to which minor amendments had been made to reflect constitutional changes including its renaming from a Panel to a Committee of the Council.

Reference was made to the Committee Membership, and to whether the list of named officers should be extended to include the Pensions Manager.

RESOLVED that the Dyfed Pension Fund Governance Policy and Compliance Statement 2018 be adopted subject to the officer membership being extended to include the Pensions Manager.

12. MARKETS IN FINANCIAL INSTRUMENTS DERIVATIVE (MIFID II) UPDATE

The Committee considered the Markets in Financial Instruments Derivative (MIFID II) update.

The updated briefing note demonstrated that since the Dyfed Pension Fund Committee meeting on 21st September 2017, applications had been submitted by Carmarthenshire County Council as administering authority for the Dyfed Pension Fund to opt up to Professional Client status for MIFID II purposes.

The Committee noted that the 'opt up' had been completed by eight of the listed institutions, the remaining two applications in respect of Standard Life (via Schroders) and Russell Investments were currently awaiting completion.

RESOLVED that the Markets in Financial Instruments Derivative (MIFID II) update be noted.

13. EXCLUSION OF THE PUBLIC

UNANIMOUSLY RESOLVED, pursuant to the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) (Wales) Order 2007, that the public be excluded from the meeting during consideration of the following items as the reports contained exempt information as defined in paragraph 14 of Part 4 of Schedule 12A to the Act.

14. INDEPENDENT INVESTMENT ADVISER REPORT AT DECEMBER 2017

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in minute 13 above, to consider this matter in private, with the public excluded from the meeting as it would involve the disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information).

The Committee received the Independent Investment Adviser Report which provided information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 31st December, 2017.

UNANIMOUSLY RESOLVED that the Independent Investment Adviser Report as at December 2017 be noted.

CHAIR

DATE