

# Document Pack



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**WEDNESDAY, 13 MARCH 2019**

**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 **DEMOCRATIC SERVICES COMMITTEE ROOM, COUNTY HALL, CARMARTHEN. SA31 1JP, AT 10.30 AM, ON THURSDAY, 21ST MARCH, 2019** FOR THE TRANSACTION OF THE BUSINESS OUTLINED ON THE ATTACHED AGENDA

*Mark James* CBE

**CHIEF EXECUTIVE**



PLEASE RECYCLE

<b>Democratic Officer:</b>	<b>Jessica Laimann</b>
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<b>DYFED PENSION FUND PENSION BOARD MEMBERSHIP</b>
--

<b>Gwyn Jones</b>	<b>Active Member Representative</b>
<b>Ian Eynon</b>	<b>Employer Member Representative</b>
<b>Cllr. Philip Hughes</b>	<b>Employer Member Representative</b>
<b>John Jones</b>	<b>Chair of the Board</b>
<b>Mark Miles</b>	<b>Employer Member Representative</b>
<b>Mike Rogers</b>	<b>Pensioner Member Representative</b>
<b>Tommy Bowler</b>	<b>Union Member Representative</b>

# AGENDA

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6. EXCLUSION OF THE PUBLIC

THE REPORTS RELATING TO THE FOLLOWING ITEMS ARE NOT FOR PUBLICATION AS THEY CONTAIN EXEMPT INFORMATION AS DEFINED IN PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A TO THE LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) (WALES) ORDER 2007. IF, FOLLOWING THE APPLICATION OF THE PUBLIC INTEREST TEST, THE COMMITTEE RESOLVES PURSUANT TO THE ACT TO CONSIDER THESE ITEMS IN PRIVATE, THE PUBLIC WILL BE EXCLUDED FROM THE MEETING DURING SUCH CONSIDERATION.
7. INDEPENDENT INVESTMENT ADVISER REPORT 75 - 84
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## DYFED PENSION FUND PENSION BOARD

15 OCTOBER 2018

**PRESENT:** Mr. John Jones [Chair]

Mr I. Eynon [Pembrokeshire County Council – Employer Rep];  
Mr. G. Jones [Member Rep];  
Mr M. Rogers [Pensioner Rep];

**Also present as observers:**

Councillor D.E. Williams, Chair of the Dyfed Pension Fund Committee;  
Mr. T. Bowler [Unison Trade Union Rep].

**The following Officers were in attendance:**

R. Hemingway, Head of Financial Services;  
K. Gerard, Pensions Manager;  
A. Parnell, Treasury & Pension Investments Manager;  
B Jenkins, Assistant Accountant;  
J. Owen, Democratic Services Officer.

**Committee Room 2, 3 Spilman St, Carmarthen – 3:00pm - 3:55pm**

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr. Mark Miles [Employer Representative] and Councillor P. Hughes [Carmarthenshire County Council – Employer Rep].

**2. DECLARATIONS OF PERSONAL INTEREST**

There were no declarations of personal interest.

**3. MINUTES OF THE PENSION BOARD MEETING 26TH JULY 2018**

**AGREED** that the minutes of the Pension Board meeting held on 26<sup>th</sup> July, 2018 be confirmed as correct record.

**4. DYFED PENSION FUND COMMITTEE 18<sup>TH</sup> SEPTEMBER, 2018**

The Board received for consideration the following reports which had been considered by the Dyfed Pension Fund Committee at its meeting held on 18<sup>th</sup> September, 2018:-

**4.1 MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING 20<sup>TH</sup> JUNE, 2018**

The Board received the minutes of the Dyfed Pension Fund Committee meeting held on 20<sup>th</sup> June, 2018.

## 4.2 AUDIT OF FINANCIAL STATEMENTS REPORT 2017-18

The Board received the Audit of Financial Statements Report for the Dyfed Pension Fund prepared by the Wales Audit Office detailing the matters arising from the audit which required reporting under ISA 260.

The Auditor General is responsible for providing an opinion on whether the financial statements of the Dyfed Pension Fund give a true and fair view of their financial position as at 31<sup>st</sup> March, 2018 and of its income and expenditure for the year ended.

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

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

- In response to a query regarding a time delay that occurred in completing the draft financial statements for the year ending 31<sup>st</sup> March 2018, the Treasury & Pension Investments Manager referred to the staffing issues encountered within the unit during the account preparation and audit process. Appreciation was extended to the staff for their significant efforts to deliver the accounts and to the Wales Audit Office for its flexibility during the audit process.
- Furthermore, the Head of Financial Services explained that it was normal practice for the Letter of Representation to be 'signed off' on conclusion of the Audit Committee meeting. However, looking forward, he suggested that it would be judicious to undertake a review of the signing process of the Financial Statements of the Dyfed Pension Fund.

**AGREED that the report be noted.**

## 4.3 STATEMENT OF ACCOUNTS 2017-18

The Board received the Dyfed Pension Fund Statement of Accounts for 2017/18, produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, detailing the financial position, performance and financial viability for the year 2017-18 together with the results of stewardship of management i.e. – accountability of management for the resources entrusted to it and the disposition of its assets at the period end.

It was noted that the position of the fund, as at 31<sup>st</sup> March, 2018 valued the total assets at £2.440bn, representing an increase in net assets of £97m from 2016/17 to 2017/18 with the increase mainly being attributed to an increase in the market value of the investment assets.

With regard to Fund expenditure, benefits payable and transfers out had increased by £2.4m to £82.5m with contributions and Transfers In increasing by £1.6m to £73.4m. The £9m deficit between expenditure and income had been met from investment income.

The following observations/queries were raised in relation to the report:-

- In reference to the Employer Contributions - Past Service Deficit it was observed that 2017/18 had reduced by over 50% compared with 2016-17. The Treasury & Pension Investments Manager stated that this was due to lower rates for deficit contributions due to the deficit reducing as a result of the March 2016 valuation.
- Reference was made to Property – Limited Partnership investments on page 11 of the report. It was commented that whilst a potential risk had been identified, the investment total of £44.0m was to be commended.

**AGREED that the report be noted.**

#### **4.4 BUDGET MONITORING 1 APRIL 2018 - 30 JUNE 2018**

The Treasury and Pension Investments Manager stated that due to administrative error the published agenda contained an incorrect version of the Dyfed Pension Fund Budget for actuals 2016-17. A revised Dyfed Pension Fund Budget Monitoring report was circulated to the Board which included the figures up to 30<sup>th</sup> June 2018.

The Board received the abovementioned report which provided an update on the latest budgetary position in respect of the 2018/19 financial year.

The current position, as at the 30<sup>th</sup> June, 2018 forecast an under-spend of £1,869k in cash terms was noted.

With regard to expenditure, the net effect of benefits payable and Transfers out represented a £4.5m under-spend mainly influenced by the uncontrollable nature of lump sum payments and transfers out of the Fund. Management expenses were also underspent by £0.3m.

With regard to income, that was recording an under-spend of £0.3m representing the net effect of contributions, Investment Income and Transfers In. Overall, total fund expenditure was forecasting to be £81.6m and total income £83.5m representing a positive cash flow position of £1.9m.

**AGREED that the report be noted.**

#### **4.5 BREACHES REPORT 2018-19**

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.

**AGREED that the report be noted.**

## 4.6 FUNDING STRATEGY STATEMENT

The Board received a report on the adoption of a Funding Strategy Statement for the Dyfed Pension Fund which sets out a clear and transparent funding strategy identifying how each of the Fund's employer's pension liabilities were to be met.

The following was raised in relation to the report:-

- Reference was made to covenant assessment and monitoring. In order to provide clarification, the Pensions Manager explained the process with regard to:-
  - Risk Criteria
  - Assessing employer covenant
  - Frequency of monitoring
  - Covenant Risk Management

More information on the above mentioned process was also provided in detail within the Covenant Assessment and Monitoring Policy appended to the report at Appendix D.

**AGREED that the report be noted.**

## 5. 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.

## 6. NORTHERN TRUST PERFORMANCE REPORT 30 JUNE 2018

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 5 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 Board considered the Northern Trust Performance report for the Dyfed Pension Fund as at 30<sup>th</sup> June, 2018 which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

**AGREED that the report be noted.**

**7. INDEPENDENT INVESTMENT ADVISER REPORT AT 30TH JUNE 2018**

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 5 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 Board 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 30<sup>th</sup> June, 2018.

**AGREED that the report be noted.**

\_\_\_\_\_  
**CHAIR**

\_\_\_\_\_  
**DATE**

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## DYFED PENSION FUND COMMITTEE

Thursday, 21 February 2019

**PRESENT:** Councillor D. E. Williams (Chair)

**Councillors:**

R.E. Evans and T.J. Jones

**Also in attendance:**

Mr E. Lambert, Independent Investment Adviser

**The following Officers were in attendance:**

C. Moore, Director of Corporate Services

K. Gerard, Pensions Manager

A. Parnell, Treasury & Pension Investments Manager

B. Owen, Pension Investments Officer

M. Davies, Democratic Services Officer

J. Laimann, Democratic Services Officer

**Democratic Services Committee Room, County Hall, Carmarthen. 10.00 - 11.50 am**

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Dai Thomas and Mr Randal Hemingway.

**2. DECLARATIONS OF PERSONAL INTERESTS**

<b>Councillor</b>	<b>Nature of Interest</b>
D.E. Williams	Member of the Dyfed Pension Fund
T.J. Jones	Member of the Dyfed Pension Fund
R. Evans	Member of the Dyfed Pension Fund

**3. MINUTES OF THE MEETING OF THE COMMITTEE HELD ON THE 18TH SEPTEMBER 2018**

**UNANIMOUSLY RESOLVED** that the minutes of the meeting of the Committee held on the 18<sup>th</sup> September 2018 be signed as a correct record.

**4. BUDGET MONITORING 1 APRIL 2018 - 31 DECEMBER 2018**

The Committee received the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2018/19 financial year. It was noted that the current position, as at 31<sup>st</sup> December 2018, forecast an under-spend of £2,815k in cash terms. With regard to expenditure, the net effect of benefits payable and transfers out represented a £258k over-spend mainly influenced by the uncontrollable nature of lump sum payments and transfers out of the fund. Management expenses were underspent by £37k. With regard to income, the net effect of contributions, investment income and transfers in represented an under-spend of £3m. Overall, total fund expenditure was

forecast to be £86.7m and total income £89.5m representing a positive cash flow position of £2.8m.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Monitoring Report be received.**

## **5. DYFED PENSION FUND BUDGET 2019-2020**

The Committee considered the Dyfed Pension Fund Budget for 2019-20. It was noted that the cash related expenditure for 2019-20 had been set at £87.8m and the cash related income at £87.8m, resulting in a net budget of £0 which provided the Fund with flexibility to utilise investment income based on cash flow requirements.

With regard to expenditure levels, the Committee noted that benefits payable had been estimated to be £79.5m which included provision for a 2.4% pensions increase, based on the September 2018 CPI together with a 2% net effect for new pensioner members. Management expenses had been estimated at £5.6m, of which £3m had been budgeted for investment manager fees. It was further noted that income contributions had been estimated at £72.1m, comprising £52.8m employer and £19.3m employee contributions, with employer rates based on the 2016 valuation plus 2% factored in for pay increases in 2019-20. Investment income had been estimated at £14m to maintain 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 was informed that funds managed by Columbia Threadneedle and Baillie Gifford had been transferred into the Wales Pension Partnership in January/February 2019. It was advised that figures relating to the Dyfed Pension Fund costs to the Wales Pension Partnership were partly based on estimates and more reliable data would be available in the next financial year. Budget monitoring in relation to the Pool would be provided on a quarterly basis.

**UNANIMOUSLY RESOLVED that the Dyfed Pension Fund Budget for 2019-20 be approved.**

## **6. CASH RECONCILIATION AS AT 31 DECEMBER 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 31<sup>st</sup> December 2018, £8.7m 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.

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

## **7. 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 or expected to be received shortly and no report had been sent to the Pensions Regulator.

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

## **8. 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)

The risks would continue to be reviewed on a quarterly basis and any amendments would be drawn to the Committee's attention.

**UNANIMOUSLY RESOLVED that the Risk Register be approved.**

## **9. MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) CONSULTATION ON DRAFT STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)**

The Committee considered an MHCLG consultation on draft statutory guidance on asset pooling in the LGPS, appended with a note by Hymans Robertson LLP, consultants to the Wales Pension Partnership.

The Committee noted that the draft statutory guidance contained a provision that would expect pool members to make new investments through the pool from 2020. The Committee was advised that the Dyfed Pension Fund would have made the majority of its investments within the pool by 2020. It was suggested that the Committee could flag the potential negative impact of this provision on investments in its response letter. The Committee was advised that responses

were due by the 28<sup>th</sup> March and a draft response would be circulated to Committee Members and agreed by the Chair mid-March.

**UNANIMOUSLY RESOLVED that the MHCLG consultation and Hymans paper be noted.**

**10. PRESENTATION BY THE HOST AUTHORITY ON MILESTONES AND PROGRESS UPDATE - WALES PENSION PARTNERSHIP**

The Treasury & Pension Investments Manager provided the Committee with an update on the milestones and progress of the Wales Pension Partnership. The Committee noted that the launch and transition of assets into two Global Equity sub-funds (£3.5bn) had been completed. It was advised that initial indicators suggested that the trading had proceeded as expected and an evaluation comparing the pre-trade report to the post-trade report would be provided by the end of March 2019. The target launch date for Tranche 2 (UK and European Equities, around £700m) could potentially be delayed into April 2019. With regard to Tranche 3 (Fixed Income, around £3bn), the Committee was advised that sub-funds had yet to be agreed by the Wales Pension Partnership Joint Governance Committee, potentially delaying the launch to September 2019. This was due to the weather-related cancellation of the Joint Governance Committee's meeting in January 2019. Overall the pooling exercise was progressing well.

**UNANIMOUSLY RESOLVED that the presentation be received.**

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

There were no items of urgent business.

**12. 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.**

**13. INDEPENDENT INVESTMENT ADVISER REPORT AT DECEMBER 2018**

**Following the application of the public interest test it was UNANIMOUSLY RESOLVED, pursuant to the Act referred to in Minute 12 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 31<sup>st</sup> December 2018.

**UNANIMOUSLY RESOLVED** that the Independent Investment Adviser Report as at 31<sup>st</sup> December 2018 be noted.

**14. NORTHERN TRUST PERFORMANCE REPORT 31 DECEMBER 2018**

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 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 considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31<sup>st</sup> December 2018 which provided performance analysis at a total fund level and by investment manager for the periods up to inception.

**UNANIMOUSLY RESOLVED** that the Northern Trust Performance report for the Dyfed Pension Fund as at 31<sup>st</sup> December 2018 be received.

**15. SECURITIES LENDING**

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to in Minute 12 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 considered an application of securities lending for the Dyfed Pension Fund investments within the Wales Pension Partnership. The application included a Mercer report on securities lending and the Northern Trust proposal. The Committee was advised that adoption of the proposed trading solution was subject to approval from all eight LGPS funds in Wales and that the Committee would receive quarterly progress updates if the solution was adopted. The Independent Investment Adviser agreed with the principle of securities lending.

**UNANIMOUSLY RESOLVED** that the application of securities lending be approved, provided that the trading solution was regularly monitored and was only applied in the first instance to the Wales Pension Partnership's Global Growth Fund.

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
DATE

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Dyfed Pension Fund									
Budget Monitoring									
1st April 2018 - 31st March 2019									
	Budget Type	Actual 2017-2018	Budget 2018-2019	Actual income/ expenditure to date	Forecast Commitments	Forecast 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)	%	
<b>Expenditure</b>									
<b>Benefits Payable</b>	Both	<b>75,457</b>	<b>76,699</b>	<b>57,757</b>	<b>19,200</b>	<b>76,957</b>	<b>258</b>	<b>0.3</b>	Budget includes £4m for 3% pensions increase (based on CPI) and 2.5% net effect of new and deferred pensioners. - Forecast commitment based on Dec '18 actuals
Pensions Payable	Controllable	59,543	63,199	47,569	15,888	63,457	258		
Commutation and lump sum retirement benefits	Non Controllable	14,107	12,000	8,752	3,248	12,000	0		Budget based on likely outturn for 17-18. Forecast commitment based on budget.
Lump sum death benefits	Non Controllable	1,807	1,500	1,436	64	1,500	0		Budget based on likely outturn for 17-18. Forecast commitment based on budget.
<b>Payments to and account of leavers</b>	Non Controllable	<b>2,304</b>	<b>2,620</b>	<b>2,387</b>	<b>233</b>	<b>2,620</b>	<b>0</b>	<b>0.0</b>	Budget based on likely outturn for 17-18. Forecast commitment based on budget.
<b>Management Expenses</b>		<b>6,356</b>	<b>7,168</b>	<b>5,640</b>	<b>1,491</b>	<b>7,131</b>	<b>-37</b>	<b>-0.5</b>	
Computer Software	Controllable	269	350	334	16	350	0		Forecast commitment based on budgeted spend
Printing charges	Controllable	12	20	8	12	20	0		Forecast commitment based on budgeted spend
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	58	68	38	29	68	0		Forecast commitment based on budgeted spend
Fund Managers									
BlackRock	Controllable	1,428	1,520	1,102	358	1,460	-60		Budget based on likely outturn for 17-18 with approximate 5% market value increase. Forecast commitment based on Dec 18 invoices.
Baillie Gifford	Controllable	1,203	1,320	977	330	1,307	-13		Budget based on likely outturn for 17-18 with approximate 5% market value increase. Forecast commitment based on Dec 18 invoices.
Columbia Threadneedle	Controllable	962	1,000	738	61	799	-201		Budget based on likely outturn for 17-18 with approximate 5% market value increase. Forecast commitment based on Jan 19 only.
Schroders	Controllable	492	520	480	175	655	135		Budget based on likely outturn for 17-18 with approximate 5% market value increase and add commitment of £125m.
Partners Group	Controllable	730	800	615	266	881	81		Budget based on likely outturn for 17-18 with approximate 5% market value increase. Forecast commitment based on Dec 18 invoices.
Custodian									
Northern Trust	Controllable	29	30	23	8	30	0		Budget based on likely outturn for 17-18.
Actuary									
Mercer	Controllable	68	70	43	27	70	0		Budget based on likely outturn for 17-18. Tender Imminent.
Performance Manager									
Northern Trust / PIRC / CEM	Controllable	6	26	1	25	26	0		New contracts in place for quarterly performance services, cost monitoring and LGPS universe benchmarking.
Independent Advisor									
E. Lambert	Controllable	31	20	15	5	20	0		
Other									
Euraplan, LSE, Pension Board	Controllable	41	23	24	21	45	22		
Wales Pension Partnership	Controllable	69	200	48	152	200	0		Additional budget required to cover operator fees, custodian fees, depository fees when the Global equities sub fund launches September 2018.
Central recharges	Non Controllable	930	1,172	1,172	0	1,172	0		Central Recharges has been revised for 18-19. Includes the new pensions administration structure.
Audit fees	Controllable	28	29	21	7	28	-1		
<b>Controllable Expenditure</b>		<b>59,406</b>	<b>69,195</b>	<b>52,036</b>	<b>17,380</b>	<b>69,416</b>	<b>221</b>		
<b>Non Controllable Expenditure</b>		<b>19,408</b>	<b>17,292</b>	<b>13,747</b>	<b>3,545</b>	<b>17,292</b>	<b>0</b>		
<b>Total Expenditure</b>		<b>84,117</b>	<b>86,487</b>	<b>65,784</b>	<b>20,924</b>	<b>86,708</b>	<b>221</b>		
				1	-1				
<b>Income</b>									
<b>Contributions</b>									
Employer	Controllable	-48,697	-50,515	-43,200	-8,393	-51,593	-1,078	2.1	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	-18,229	-18,640	-14,130	-4,762	-18,892	-252	1.4	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.
<b>Investment Income</b>	Controllable	-16,550	-15,832	-6,629	-7,461	-14,090	1,742	-11.0	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.
<b>Other Income</b>	Controllable	-6	0	-31	-2	-33	-33	100.0	Budget not required for 18-19. 3rd party administration invoices now raised against Pensions Administration budget within Carmarthenshire.
<b>Transfers in from other pension funds</b>	Non Controllable	-1,699	-1,500	-3,686	-1,229	-4,915	-3,415	227.7	Budget based on likely outturn for 17-18. £4.5m received as at end of Jan 2019.
<b>Controllable Income</b>		<b>-80,776</b>	<b>-84,987</b>	<b>-63,990</b>	<b>-20,618</b>	<b>-84,608</b>	<b>379</b>		
<b>Non Controllable Income</b>		<b>-1,986</b>	<b>-1,500</b>	<b>-3,686</b>	<b>-1,229</b>	<b>-4,915</b>	<b>-3,415</b>		
<b>Total Income</b>		<b>-85,181</b>	<b>-86,487</b>	<b>-67,676</b>	<b>-21,847</b>	<b>-89,523</b>	<b>-3,036</b>		
<b>Controllable Total</b>		<b>-21,370</b>	<b>-15,792</b>	<b>-11,954</b>	<b>-3,238</b>	<b>-15,192</b>	<b>600</b>		
<b>Non Controllable Total</b>		<b>17,422</b>	<b>15,792</b>	<b>10,061</b>	<b>2,316</b>	<b>12,377</b>	<b>-3,415</b>		
<b>Total</b>		<b>-1,064</b>	<b>0</b>	<b>-1,892</b>	<b>-923</b>	<b>-2,815</b>	<b>-2,815</b>		Net budget Zero. Income can be managed to suit cashflow requirements.
<b>Cash Transfer to Fund Managers</b>	Cash	6,900	0	0	0	0	0		
<b>Net Total of Cash Related Items</b>		<b>5,836</b>	<b>0</b>	<b>-1,892</b>	<b>-923</b>	<b>-2,815</b>	<b>-2,815</b>		
<b>Indirect Transactional Management Fees</b>	Non Cash	4,866	1,900	0	1,900	1,900	0		New CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds
<b>Investment Income</b>	Non Cash	-2,399	-1,900	0	-1,900	-1,900	0	0.0	Contra entry to the Indirect transactional fees
<b>Realised gain/loss</b>	Non Cash	-260,837	-50,000	-37,440	-12,560	-50,000	0	0.0	Non Controllable. To cover portfolio rebalances. No impact to cash.
<b>Net Total of Non-Cash Related Items</b>		<b>-258,370</b>	<b>-50,000</b>	<b>-37,440</b>	<b>-12,560</b>	<b>-50,000</b>	<b>0</b>		

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Dyfed Pension Fund									
Budget									
1st April 2019 - 31st March 2020									
	Budget Type	Forecast 2018-2019	Budget 2018-2019	Total 19-20 Budget	Forecast Commitments	Budget 2019-2020	Budget variance		Assumptions/Comments
	Controllable / Non Controllable	£ '000 (a)	£ '000 (b)	£ '000 (c)	£ '000 (d)	£ '000 (e)	£ '000 (f)	%	
<b>Expenditure</b>									
<b>Benefits Payable</b>	Both	<b>76,957</b>	<b>76,699</b>	<b>79,521</b>	<b>0</b>	<b>79,521</b>	<b>2,822</b>	<b>3.7</b>	Budget includes £2.5m for 2.4% pensions increase (based on Sept 18 CPI) and 2% net effect of new and deferred pensioners.
Pensions Payable	Controllable	63,457	63,199	66,021	0	66,021	2,822		
Commutation and lump sum retirement benefits	Non Controllable	12,000	12,000	12,000	0	12,000	0		Budget based on likely outturn for 18-19.
Lump sum death benefits	Non Controllable	1,500	1,500	1,500	0	1,500	0		Budget based on likely outturn for 18-19.
<b>Payments to and account of leavers</b>	Non Controllable	<b>2,620</b>	<b>2,620</b>	<b>2,620</b>	<b>0</b>	<b>2,620</b>	<b>0</b>	<b>0.0</b>	Budget based on likely outturn for 18-19.
<b>Management Expenses</b>		<b>7,131</b>	<b>7,168</b>	<b>5,610</b>	<b>0</b>	<b>5,610</b>	<b>-1,558</b>	<b>-21.7</b>	
Computer Software	Controllable	350	350	355	0	355	5		Budget based on likely outturn for 18-19.
Printing charges	Controllable	20	20	20	0	20	0		Budget based on likely outturn for 18-19.
Subscriptions, Legal fees, Conf Exps, Med Exps	Controllable	68	68	68	0	68	0		Budget based on likely outturn for 18-19.
<b>Fund Managers</b>									
BlackRock	Controllable	1,460	1,520	1,265	0	1,265	-255		Budget based on likely outturn for 18-19 with approximate 3% market value increase and a reduction due to pooling of corporate bonds.
Baillie Gifford	Controllable	1,307	1,320	0	0	0	-1,320		No budget as investments were pooled in the WPP in 18-19.
Columbia Threadneedle	Controllable	799	1,000	0	0	0	-1,000		No budget as investments were pooled in the WPP in 18-19.
Schroders	Controllable	655	520	849	0	849	329		Budget based on likely outturn for 18-19 with approximate 3% market value increase and add commitment of £125m.
Partners Group	Controllable	881	800	910	0	910	110		Budget based on likely outturn for 18-19 with approximate 3% market value increase and add commitment of £30m.
<b>Custodian</b>									
Northern Trust	Controllable	30	30	30	0	30	0		Budget based on likely outturn for 18-19.
<b>Actuary</b>									
Mercer	Controllable	70	70	70	0	70	0		Budget based on likely outturn for 18-19. Tender due 19-20.
<b>Performance Manager</b>									
Northern Trust / PIRC / CEM	Controllable	26	26	26	0	26	0		New contracts in place for quarterly performance services, cost monitoring and LGPS universe benchmarking.
<b>Independent Advisor</b>									
E. Lambert	Controllable	20	20	20	0	20	0		
<b>Other</b>									
Euraplan, LSE, Pension Board	Controllable	45	23	23	0	23	0		
Wales Pension Partnership	Controllable	200	200	750	0	750	550		Additional budget required to cover operator fees, custodian fees, depository fees when future sub funds are launched.
<b>Central recharges</b>	Non Controllable	1,172	1,172	1,195	0	1,195	23		Increased by 2% inflation
<b>Audit fees</b>	Controllable	28	29	29	0	29	0		
<b>Controllable Expenditure</b>		<b>69,416</b>	<b>69,195</b>	<b>70,436</b>	<b>0</b>	<b>70,436</b>	<b>1,241</b>		
<b>Non Controllable Expenditure</b>		<b>17,292</b>	<b>17,292</b>	<b>17,315</b>	<b>0</b>	<b>17,315</b>	<b>23</b>		
<b>Total Expenditure</b>		<b>86,708</b>	<b>86,487</b>	<b>87,751</b>	<b>0</b>	<b>87,751</b>	<b>1,264</b>		
<b>Income</b>									
<b>Contributions</b>									
<b>Employer</b>	Controllable	<b>-51,593</b>	<b>-50,515</b>	<b>-52,755</b>	<b>0</b>	<b>-52,755</b>	<b>-2,240</b>	<b>4.4</b>	2019-20 budget based on December 18 contributions including 2% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results.
<b>Member</b>	Controllable	<b>-18,892</b>	<b>-18,640</b>	<b>-19,363</b>	<b>0</b>	<b>-19,363</b>	<b>-723</b>	<b>3.9</b>	2019-20 budget based on December 18 contributions including 2% pay increase and amendments to contribution rates and past service deficit amounts as per valuation results.
<b>Investment Income</b>	Controllable	<b>-14,090</b>	<b>-15,832</b>	<b>-14,133</b>	<b>0</b>	<b>-14,133</b>	1,699	<b>-10.7</b>	Dividend income is now reinvested. Investment income will be called upon as per cash flow requirements. £14 million cash required to breakeven.
<b>Other Income</b>	Controllable	<b>-33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100.0</b>	Budget not required for 19-20. 3rd party administration invoices now raised against Pensions Administration budget within Carmarthenshire.
<b>Transfers in from other pension funds</b>	Non Controllable	<b>-4,915</b>	<b>-1,500</b>	<b>-1,500</b>	<b>0</b>	<b>-1,500</b>	<b>0</b>	<b>0.0</b>	Budget based on 18-19 budget.
<b>Controllable Income</b>		<b>-84,608</b>	<b>-84,987</b>	<b>-86,251</b>	<b>0</b>	<b>-86,251</b>	<b>-1,264</b>		
<b>Non Controllable Income</b>		<b>-4,915</b>	<b>-1,500</b>	<b>-1,500</b>	<b>0</b>	<b>-1,500</b>	<b>0</b>		
<b>Total Income</b>		<b>-89,523</b>	<b>-86,487</b>	<b>-87,751</b>	<b>0</b>	<b>-87,751</b>	<b>-1,264</b>		
<b>Controllable Total</b>		<b>-15,192</b>	<b>-15,792</b>	<b>-15,815</b>	<b>0</b>	<b>-15,815</b>	<b>-23</b>		
<b>Non Controllable Total</b>		<b>12,377</b>	<b>15,792</b>	<b>15,815</b>	<b>0</b>	<b>15,815</b>	<b>23</b>		
<b>Total</b>		<b>-2,815</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		Net budget Zero. Income can be managed to suit cashflow requirements.
<b>Cash Transfer to Fund Managers</b>	Cash	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Net Total of Cash Related Items</b>		<b>-2,815</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Indirect Transactional Management Fees</b>	Non Cash	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>	<b>0</b>	<b>1,900</b>	<b>0</b>		New CIPFA Management cost guidance issued to show indirect transactional fees indirectly paid by the funds
<b>Investment Income</b>	Non Cash	<b>-1,900</b>	<b>-1,900</b>	<b>-1,900</b>	<b>0</b>	<b>-1,900</b>	<b>0</b>	<b>0.0</b>	Contra entry to the Indirect transactional fees
<b>Realised gain/loss</b>	Non Cash	<b>-50,000</b>	<b>-50,000</b>	<b>-50,000</b>	<b>0</b>	<b>-50,000</b>	<b>0</b>	<b>0.0</b>	Non Controllable. To cover portfolio rebalances. No impact to cash.
<b>Net Total of Non-Cash Related Items</b>		<b>-50,000</b>	<b>-50,000</b>	<b>-50,000</b>	<b>0</b>	<b>-50,000</b>	<b>0</b>		

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# Agenda Item 4.4

## Item 6

### Dyfed Pension Fund Cash Reconciliation

**December 2018**

Balance b/f 1st April 2018		£4,963,193.50
<b><i>Investment trades</i></b>		
Sales	158,370,489.91	
Purchases	-162,532,183.42	
	<hr/>	-£4,161,693.51
Contributions received	£61,265,933.31	
Payments made	-£64,565,420.82	
Dividend Income	£10,218,037.81	£6,918,550.30
		<hr/>
		£7,720,050.29
<b>Total Available for Investment</b>		<hr/> <b>£7,720,050.29</b> <hr/>
<b><i>Represented by :</i></b>		
Cash at Carmarthenshire		£8,738,336.99
Cash due to be received/deducted		£0.00
CCC Debtors		£36,128.03
CCC Creditors		-£1,054,414.73
		<hr/>
		<b>£7,720,050.29</b> <hr/>
		£0.00

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**Breaches Report**

**Item 7.**

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
38	2018-19	19/5/18	Contributions	April contributions not received until 8/6/18 - 20 days late. <b>Cause:</b> Clerk on sick leave. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
39	2018-19	19/5/18	Contributions	April contributions not received until 8/6/18 - 20 days late. <b>Cause:</b> Clerk on sick leave. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
40	2018-19	22/6/18	Contributions	May contributions not received until 17/07/18 - 25 days late. <b>Cause:</b> Finance Officer left, person covering didn't realise payment was due. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
41	2018-19	22/6/18	Contributions	May contributions not received until 3/7/2018 - 11 days late. <b>Cause:</b> Swim Narberth pool has been closed to staff for the past 6 months as major renovation work going on, manager had to contact committee to make payment. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
42	2018-19	22/7/18	Contributions	June contributions not received until 30/7/18 - 11 days late. <b>Cause:</b> Clerk has left. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
43	2018-19	22/7/18	Contributions	June contributions not received until 30/7/18 - 11 days late. <b>Cause:</b> Clerk has left. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
44	2018-19	22/8/18	PSD	July (£2,383.33) Past Service Deficit payment not received until 26/09/2018 - 35 days late. <b>Cause:</b> Staff shortages due to annual leave. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
44	2018-19	22/9/18	PSD	August (£2,383.33) Past Service Deficit payment not received until 26/09/2018 - 4 days late. <b>Cause:</b> Staff shortages due to annual leave. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
45	2018-19	22/9/18	Contributions	August (£3,482.32) contributions payment not received until 27/09/2018 - 5 days late. <b>Cause:</b> Staff sickness. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
45	2018-19	22/9/18	Contributions	August (£2,875.55) contributions payment (by cheque) not received until 27/09/2018 - 8 days late. <b>Cause:</b> Payment missed from batch. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
46	2018-19	22/9/18	Contributions	August (£578.17) payment not received until 26.11.18 - 65 days late. <b>Cause:</b> Staff dispute as to who does payments. <b>Effect:</b> Contributions have now been received although using wrong employer rate (underpaying) and no PSD paid as yet	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
47	2018-19	22/10/18	Contributions	September (£1,914.90) contributions payment not received until 5/11/2018 - 17 days late. <b>Cause:</b> Forgot to do payment. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.

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
48	2018-19	22/10/18	PSD	September (£2,383.33) Past Service Deficit payment not received until 26/10/2018 - 4 days late. <b>Cause:</b> Staff shortages due to annual leave. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
49	2018-19	22/11/18	Contributions	October (£1,197.13) contributions payment not received until 28.11.18 - 6 days late. <b>Cause:</b> Payment missed. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
50	2018-19	22/1/19	Contributions	December 2018 contributions (£2,141.64) received 4.2.19 - 17 days late. <b>Cause:</b> Clerk emailed to say that she had a query with one employee's contributions and had to speak to Mathew in pensions admin before making the payment. <b>Effect:</b> Contributions have now been received	No	Amber	No Report	There are no long term implications associated with this breach. Contributions now up to date.
51	2018-19	22/1/19	PSD	Oct-Dec 18 PSD payment (£25) not received yet. <b>Cause:</b> New clerk has started since the last payment was received, she was unaware that a payment was due. Treasury and Pension admin team will assist her with any further queries. <b>Effect:</b> Payment expected shortly	No	Amber	No Report	There are no long term implications associated with this breach. Payment expected shortly.
52	2018-19	2018-19	PSD	No PSD payment received yet (£500 for year). Underpaying employer rate. <b>Cause:</b> Due to major refit at premises, issues with emails and communication in general. <b>Effect:</b> Payments expected shortly	No	Amber	No Report	Manager has spoken to accountants and committee members with these outstanding queries. Further email/telephone call will be actioned in early March if no payment has been received

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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"> <li>Altair Development Officer undertakes Altair system checks to ensure compliance with LGPS regulations</li> <li>Network Groups (Altair &amp; LGPC)</li> <li>Communication &amp; Training Officer Communication &amp; 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.</li> <li>Continue to act as an "Early Adopter" in conjunction with the system provider to ensure system meets regulatory requirements</li> <li>Technical Officer ensures legislative accuracy of calculations</li> </ul>	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**

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

Date: **14 February, 2019**

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"> <li>Participation in all high level Government discussions and consultations</li> <li>Ensure best practice is implemented and DPF is seen as a centre of excellence for pension administration</li> <li>Continue to be recognised nationally by peers as one of the leaders in pension administration and facilitate site visits</li> <li>Society of Welsh Treasurers review the suitability of existing and any new pension fund arrangements</li> </ul>	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**

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

Date: **14 February, 2019**

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"> <li>CIPFA Pensions Network membership</li> <li>Technical Officer ensures legislative accuracy of calculations</li> </ul>	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"> <li>Payroll deadline procedures in place</li> <li>Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer</li> <li>Altair Development Officer is responsible for regular system checks regarding calculations</li> <li>Communication &amp; Training Officer liaises closely with all employing authorities to ensure timely submission of information to DPF</li> </ul>	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**

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

Date: **14 February, 2019**

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"> <li>• <b>Item in Business Continuity/Disaster Recovery Plan</b></li> <li>• <b>Participate in National Fraud Initiative (NFI)</b></li> <li>• <b>Life Certificates exercise carried out for all cheque payments</b></li> <li>• <b>Undertake reviews of monthly performance to ensure service standards are maintained</b></li> <li>• <b>IT Contingency/Resilience Plan in place</b></li> </ul>	Pensions Manager				
<p><b>CSV400004 - Failure to collect and account for full receipt of contributions from employers and employees on time</b></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>	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li>• <b>Contributions monitoring procedures</b></li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager		<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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"> <li>• <b>Formal timescales for receipt of contributions</b></li> <li>• <b>Budget set and monthly monitoring against the budget</b></li> <li>• <b>Escalation of non receipt of contributions</b></li> <li>• <b>Systems Audit undertaken by Internal Audit and External Auditors</b></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>				

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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"> <li>Senior Officers liaise closely with employing authorities to ensure timely and accurate submission of data to DPF</li> <li>i-Connect ensures that data from employers is identified by a direct transfer from payroll on a monthly basis</li> <li>Data accuracy checks undertaken by the pension section prior to continual validation on workflow system</li> <li>Data integrity validation is performed monthly by Altair Development Officer</li> <li>Data validation checks also undertaken by the DPF's partners (e.g.the Actuary at Valuation)</li> <li>Additional validation carried out through NFI</li> <li>Opportunity to escalate non-compliance</li> </ul>	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**

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

Date: **14 February, 2019**

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"> <li>Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls</li> <li>Disaster Recovery Plan for pensions system</li> <li>Authorised users have unique usernames and passwords must be changed every 60 days</li> <li>Documentation is scanned on to the pensions system and paper copies are held for a period of 3 months before shredding</li> <li>Compliance with the Data Protection Act 1998</li> <li>Compliance with the Authority's in-house IT policies</li> <li>Systems and Payroll audit undertaken annually</li> </ul>	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**

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

Date: **14 February, 2019**

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
<b>CSV400007 - Loss of funds through fraud or misappropriation in administration related functions</b>	<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8	<ul style="list-style-type: none"> <li>Internal and external audit checks performed to ensure that appropriate and effective controls are in place</li> <li>Segregation of duties and authorisation of benefits following calculation by Senior Pensions Officer and Pensions Officer</li> <li>Altair Development Officer undertakes data integrity checks</li> <li>Systems and Payroll audit undertaken annually</li> </ul>	Pensions Manager  Pensions Manager  Pensions Manager  Pensions Manager		<b>Moderate</b> 2	<b>Unlikely</b> 2	<b>Low</b> 4
<b>CSV400008 - Normal operations disrupted by uncontrollable external factors</b> 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	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li>Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls</li> <li>Disaster Recovery Plan for pensions system with the software provider</li> </ul>	Pensions Manager and Treasury & Pensions Investments Manager  Pensions Manager		<b>Significant</b> 3	<b>Improbable</b> 1	<b>Very Low</b> 3

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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
service to stakeholders.				<ul style="list-style-type: none"> <li>Data stored on one of Council's stand alone IT servers</li> </ul>	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"> <li>Business Continuity/Disaster Recovery Plan for the Authority with IT firewalls</li> <li>Disaster Recovery Plan for pensions system</li> </ul>	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"> <li>Personal development plan in place to support the development of each officer in the Section</li> <li>Specific courses / seminars attended by officers to further their knowledge and understanding</li> </ul>	Pensions Manager  Pensions Manager		Significant 3	Improbable 1	Very Low 3

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

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

Date: **14 February, 2019**

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><b>CSV400011 - Over reliance on key Pensions Administration and Investment Officers</b></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><b>Significant</b></p> <p>3</p>	<p><b>Possible</b></p> <p>3</p>	<p><b>Medium</b></p> <p>9</p>	<ul style="list-style-type: none"> <li>• <b>Key officers convey specialist knowledge to colleagues on a function or topic basis by mentoring</b></li> <li>• <b>Enhance training by bespoke sessions / courses / workshops</b></li> <li>• <b>Specific relevant qualifications for administration and investment staff</b></li> <li>• <b>External consultants and independent adviser available for short term assistance</b></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>		<p><b>Significant</b></p> <p>3</p>	<p><b>Unlikely</b></p> <p>2</p>	<p><b>Medium</b></p> <p>6</p>

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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
<b>CSV400012 - Failure to appropriately attract, manage, develop, and retain staff at all levels</b>	<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8	<ul style="list-style-type: none"> <li><b>Training and Development Plan established</b></li> </ul>	Pensions Manager		<b>Substantial</b> 4	<b>Improbable</b> 1	<b>Low</b> 4
<p><b>CSV400013 - Failure to communicate properly with stakeholders</b> 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>	<b>Significant</b> 3	<b>Unlikely</b> 2	<b>Medium</b> 6	<ul style="list-style-type: none"> <li><b>Dedicated Communication &amp; Training Officer post established</b> Dedicated Communication &amp; Training Officer will continue to fulfil all the communication requirements of the DPF, in accordance with the Communications Policy Statement</li> <li><b>Comprehensive website is continually updated and developed</b></li> <li><b>My Pension Online is used to enhance the service provided to scheme members</b></li> </ul>	<p>Pensions Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>		<b>Significant</b> 3	<b>Improbable</b> 1	<b>Very Low</b> 3

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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"> <li>Quarterly meetings with independent adviser and investment managers</li> <li>Communications Policy in place</li> <li>Annual Employer &amp; Consultative Meeting</li> </ul>	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"> <li>Inter valuation monitoring and rate reassessment if appropriate</li> <li>Identification of any issue and resolution via regular site visits by Communication &amp; Training Officer</li> </ul>	Pensions Manager  Pensions Manager		Significant 3	Unlikely 2	Medium 6

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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"> <li>Requirement for employing authorities to issue termination forms for each active member</li> <li>Validation of membership numbers</li> <li>Employer covenant checks</li> </ul>	Pensions Manager  Pensions Manager  Pensions Manager				
<b>CSV400015 - Liquidity/cashflow risk - insufficient funds to meet liabilities as they fall due</b> 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.	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li>Monthly cash and dividend reconciliations</li> <li>Quarterly monitoring of investment managers by Pension Panel</li> <li>Appointment of custodian</li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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
<b>CSV400016 - Loss of funds through fraud or misappropriation in investment related functions</b> Fraud or misappropriation of funds by an employer, investment managers or custodian.  Financial loss to the fund.	<b>Substantial</b> 4	<b>Possible</b> 3	<b>High</b> 12	<ul style="list-style-type: none"> <li>Internal and External Audit regularly test that appropriate controls are in place and working</li> <li>Regulatory control reports from investment managers, custodian, etc., are also reviewed by audit.</li> <li>Due diligence is carried out whenever a new manager is appointed.</li> <li>Reliance also placed in Financial Conduct Authority registration.</li> <li>Quarterly monitoring by Pension Panel and Independent Adviser</li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		<b>Substantial</b> 4	<b>Unlikely</b> 2	<b>Medium</b> 8
<b>CSV400017 - Excessive levels of Pension Fund Cash held within Carmarthenshire County Council investment balances</b>	<b>Significant</b> 3	<b>Unlikely</b> 2	<b>Medium</b> 6				<b>Significant</b> 3	<b>Improbable</b> 1	<b>Very Low</b> 3

# Risk Assessment Form

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

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Date: **14 February, 2019**

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>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"> <li>• <b>Monthly cash reconciliations and separate pension fund bank accounts</b></li> <li>• <b>Quarterly monitoring by Pension Panel</b></li> <li>• <b>Internal Audit and Wales Audit Office review</b></li> </ul>	<p>Treasury &amp; Pensions Investments Manager</p> <p>Treasury &amp; Pensions Investments Manager</p> <p>Treasury &amp; Pensions Investments Manager</p>				
<p><b>CSV400018 - Significant rises in employer contributions due to increases in liabilities or fall in assets</b></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><b>Substantial</b> 4</p>	<p><b>Likely</b> 4</p>	<p><b>Significant</b> 16</p>	<ul style="list-style-type: none"> <li>• <b>Use qualified actuary who uses assumptions and recommends appropriate recovery period and strategy</b></li> <li>• <b>Quarterly monitoring of investment managers by Pension Panel</b></li> <li>• <b>Diversified Strategic Asset Allocation</b></li> </ul>	<p>Treasury &amp; Pensions Investments Manager</p> <p>Treasury &amp; Pensions Investments Manager</p> <p>Treasury &amp; Pensions Investments Manager</p>		<p><b>Significant</b> 3</p>	<p><b>Possible</b> 3</p>	<p><b>Medium</b> 9</p>

# Risk Assessment Form

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

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

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

# Risk Assessment Form

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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
contribution rates become unacceptable, causing potential increase in employer's costs.				<ul style="list-style-type: none"> <li>Independent Investment adviser employed to assist the panel in making informed decisions.</li> </ul>	Treasury & Pensions Investments Manager				
<b>CSV400021 - Prolonged failure of investment managers to achieve the returns specified on their mandates</b> 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"> <li>Quarterly monitoring of investment managers and performance company reports by investment team and Pension Panel.</li> </ul>	Treasury & Pensions Investments Manager		Substantial 4	Unlikely 2	Medium 8
<b>CSV400022 - Concentration risk - single asset class having disproportionate impact on investment objectives</b> 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"> <li>Establish &amp; review diversified strategic asset allocation</li> <li>Proactive in decision making</li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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><b>CSV400023 - Counterparty risk - risk of other party in a transaction failing to meet its obligation to the fund</b> 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"> <li>Set appropriate parameters with fund managers and custodian to limit exposure to default risk</li> </ul>	Treasury & Pensions Investments Manager		Moderate 2	Unlikely 2	Low 4
<p><b>CSV400024 - Interest rate risk</b> 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"> <li>Establish &amp; review diversified strategic asset allocation</li> </ul>	Treasury & Pensions Investments Manager		Moderate 2	Improbable 1	Very Low 2
<p><b>CSV400025 - Discount rate risk</b> 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"> <li>Engage qualified actuary to make assumptions</li> <li>Engage independent adviser to assist the panel in making informed decisions</li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Significant 3	Unlikely 2	Medium 6

# Risk Assessment Form

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

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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
<p><b>CSV400026 - Price risk</b> 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"> <li>Establish &amp; review a diversified strategic asset allocation.</li> <li>Anticipate long term returns on a prudent basis.</li> </ul>	Treasury & Pensions Investments Manager  Treasury & Pensions Investments Manager		Significant 3	Possible 3	Medium 9
<p><b>CSV400027 - Foreign exchange risk</b> 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"> <li>Establish &amp; review diversified (within regions) strategic asset allocation</li> </ul>	Treasury & Pensions Investments Manager		Moderate 2	Unlikely 2	Low 4
<p><b>CSV400028 - Failure to meet statutory deadlines leading to qualification of the accounts</b> 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"> <li>Timetabled Audit Committee cycles</li> </ul>	Treasury & Pensions Investments Manager		Substantial 4	Improbable 1	Low 4

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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
Qualified audit report; potential bad publicity; members' loss of confidence on officers' abilities.				<ul style="list-style-type: none"> <li>• <b>Liase with external audit</b></li> <li>• <b>Establish closedown timetable</b></li> <li>• <b>Establish WAO working paper guidance &amp; planning document</b></li> <li>• <b>Excellent time management skills</b></li> </ul>	Treasury & Pensions Investments Manager				
<p><b>CSV400029 - Adequate skilled resources not available for accounts preparation</b></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><b>Significant</b></p> <p>3</p>	<p><b>Possible</b></p> <p>3</p>	<p><b>Medium</b></p> <p>9</p>	<ul style="list-style-type: none"> <li>• <b>Appropriate Treasury &amp; Pension Investments structure in place</b></li> <li>• <b>Arrange training courses and seminars, and mentoring</b></li> </ul>	Treasury & Pensions Investments Manager		<p><b>Significant</b></p> <p>3</p>	<p><b>Unlikely</b></p> <p>2</p>	<p><b>Medium</b></p> <p>6</p>

# Risk Assessment Form

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Date: **14 February, 2019**

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><b>CSV400030 - Failure to recover all debts</b> 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><b>Substantial</b> 4</p>	<p><b>Likely</b> 4</p>	<p><b>Significant</b> 16</p>	<ul style="list-style-type: none"> <li>• <b>Use of specialist debt recovery section within the administering authority</b></li> <li>• <b>Monthly monitoring of debts due</b></li> </ul>	<p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p> <p>Pensions Manager and Treasury &amp; Pensions Investments Manager</p>		<p><b>Moderate</b> 2</p>	<p><b>Improbable</b> 1</p>	<p><b>Very Low</b> 2</p>
<p><b>CSV400031 - Officers acting outside delegated authority</b> 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><b>Substantial</b> 4</p>	<p><b>Unlikely</b> 2</p>	<p><b>Medium</b> 8</p>	<ul style="list-style-type: none"> <li>• <b>Undertake regular review of Standing Orders &amp; Constitution</b></li> <li>• <b>Report to Executive Board</b></li> <li>• <b>Monitoring officer role</b></li> </ul>	<p>Treasury &amp; Pensions Investments Manager</p> <p>Treasury &amp; Pensions Investments Manager</p> <p>Treasury &amp; Pensions Investments Manager</p>		<p><b>Substantial</b> 4</p>	<p><b>Improbable</b> 1</p>	<p><b>Low</b> 4</p>

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

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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
<p><b>CSV400032 - Non-performance by Officers and Panel Members</b> 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><b>Substantial</b> 4</p>	<p><b>Possible</b> 3</p>	<p><b>High</b> 12</p>	<ul style="list-style-type: none"> <li>• <b>Establish performance measurement system</b></li> <li>• <b>Pension Panel member assessments</b></li> <li>• <b>Officer appraisals in October and March annually</b></li> <li>• <b>Regular internal and external audits</b></li> <li>• <b>Establish &amp; review training plan for officers and members</b></li> </ul>	<p>Treasury &amp; Pensions Investments Manager</p>		<p><b>Substantial</b> 4</p>	<p><b>Unlikely</b> 2</p>	<p><b>Medium</b> 8</p>
<p><b>CSV400033 - Failure to operate strict financial and budgetary controls</b> Lack of regular budget monitoring and budget setting; lack of communication between admin and investment</p>	<p><b>Substantial</b> 4</p>	<p><b>Unlikely</b> 2</p>	<p><b>Medium</b> 8</p>	<ul style="list-style-type: none"> <li>• <b>Quarterly monitoring of budgets</b></li> </ul>	<p>Treasury &amp; Pensions Investments Manager</p>		<p><b>Substantial</b> 4</p>	<p><b>Improbable</b> 1</p>	<p><b>Low</b> 4</p>

# Risk Assessment Form

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

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

Date: **14 February, 2019**

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>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"> <li>• <b>Quarterly forecasting and profiling of budgets</b></li> <li>• <b>Closure of accounts to Audit Committee</b></li> <li>• <b>Monthly meetings between Head of Service, Admin and Investment managers</b></li> <li>• <b>Monthly reconciliations of contributions, dividends, and pension payroll</b></li> </ul>	<p>Treasury &amp; Pensions Investments Manager</p>				
<p><b>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</b></p>	<p><b>Substantial</b> 4</p>	<p><b>Possible</b> 3</p>	<p><b>High</b> 12</p>	<ul style="list-style-type: none"> <li>• <b>Staffing resources to be kept under review to ensure the Fund's interests are properly met when developing investment pooling arrangements</b></li> </ul>	<p>Treasury &amp; Pensions Investments Manager</p>		<p><b>Substantial</b> 4</p>	<p><b>Unlikely</b> 2</p>	<p><b>Medium</b> 8</p>

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## Local Government Pension Scheme: Draft Statutory guidance on asset pooling

This note provides factual information relating to the Ministry of Housing, Communities and Local Government's informal consultation on the Draft Statutory guidance on asset pooling. This note is addressed to the Fund's Officers and Committee(s). It is not for public distribution.

### Timetable

The consultation was issued on 3 January 2019, it is open for 12 weeks and will close on 28 March. It is deemed an informal consultation which is addressed to *"interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS"*. The SAB secretariat will be assisting MHCLG with the consultation but all responses should be sent to LGPensions@communities.gov.uk.

### Background

The guidance sets out the requirements on administering authorities in relation to pooling assets and replaces *"the section at pages 7 to 8 of Part 2 of Guidance for Preparing and Maintaining an Investment Strategy, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces Local Government Pension Scheme: Investment Reform Criteria and Guidance, issued in November 2015."* As a reminder, we attach links to the replaced documents at the foot of this document<sup>1</sup>.

### Overview

Further to the introduction the consultation is broken into 7 sections which we set out below. As outlined in the title, the governance is statutory. Throughout the document, there is frequent use of certain words, in particular "must", "should" and "may" in relation to different points being made. Each highlights the extent to which adherence is expected.

### Definitions

This section sets out a number of definitions relating to pooling, including,

**'Pool governance body'** the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees).

**'Pool company'** the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members.

**'Pool fund'** a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS).

**'Pool member'** an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance.

It also defines Pool vehicles, retained assets and local assets which are all covered in later sections of the consultation.

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479925/criteria\\_and\\_guidance\\_for\\_investment\\_reform.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/479925/criteria_and_guidance_for_investment_reform.pdf) <http://lgpslibrary.org/assets/statgui/ew/201609ISS.pdf>  
<http://lgpslibrary.org/assets/statgui/ew/201707ISS.pdf>

### Structure and scale

This section reiterates the aims of pooling, that all administering authorities must pool their assets and that pool members must appoint a pool company or companies to implement their investment strategies, stating clearly, *“It is for the pool companies to decide which investment managers to use for pool vehicles”*. It also states that a pool company must be a company regulated by the FCA

It is stated that Pool governance bodies, working with the Pool company, *“should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency”* and *“the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period”*.

### Governance

It was stated that pool governance bodies must be established in order to “set the direction of the pool and hold the pool company to account” while pool members through their own governance arrangements will be *“responsible for effective governance and for holding pool companies and other service providers to account”*. In addition *“Strategic asset allocation remains the responsibility of pool members”*. It also states Pension Committees should take a long term view of the potential benefits of pooling, taking into account *“the benefits across the pool and across the scheme as a whole...and should not seek simply to minimise costs in the short term.”* It also notes that Pension Boards can have a role in governance arrangements.

It also states that part of pool governance bodies’ role is to decide the pool’s policy on which aspects of asset allocation are *“strategic”* and which are *“tactical”*, with the guidance stating that, *“governance bodies should be mindful of the trade-off between greater choice and lower costs”*. It is also noted that the position between what is deemed strategic and what is tactical is something that might change over time. It also states that, *“Pool members should set out in their FSS and ISS how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review”*.

### Transition of assets to the pool

There are a number of comments on treatment of costs, including

*“Transition of listed assets should take place over a relatively short period.”* and *“..should see to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.”* And *“Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government’s view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.”*

It is noted that *“In exceptional cases, some existing investments may be retained by pool members on a temporary basis”* citing assets that need to be held to maturity as an example. It also notes that *“Pool members may also retain existing direct property assets where these may be more effectively managed by pool members”* and *“...pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts (‘life funds’) accessed by pool members for the purpose of passive equity investment, and some infrastructure investments.”*

For assets held outside the pool it is stated that, *“Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool.”*

### **Making new investments outside the pool**

There is an expectation that new investments will be made through the pool company with 2020 being set as the target timescale and a statement that “*pool members should make new investments outside the pool only in very limited circumstances.*”

Exceptions (to pool members investing in their own pool) include,

“*A small proportion of a pool member’s assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member*”, with clarity that Local assets should, “*not normally exceed an aggregate 5% of the value of the pool member’s assets at the point of investment and be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.*”; or “*may invest ...in a pool other than their own where collaboration across pools or specialism by pools can deliver improved net of fee returns*”

### **Infrastructure investment**

There are a number of infrastructure related aspects noted in the document. Although supportive of the asset class, the consultation states, “*There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area.*” “*Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size*”.

It is explicitly stated that Pools are expected to provide a range of options to accessing the asset class and may offer brown and greenfield exposure to the asset class. There is also comment that, “*Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment*”. The consultation states for the purpose of annual accounts CIPFA’s definition for the asset class should be used (which includes a comment that conventional property is not normally included). The consultation also makes it clear that residential property is defined as infrastructure.

### **Reporting**

There are a number of cost and pooling related requirements, including stating that, “*Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance Preparing the Annual Report, with effect from the 2018-19 report.*”

The CIPFA guidance is also to be used when it comes to defining which assets are to be deemed pool assets, “*‘pooled assets’ are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund’s control.*” Pool members should “*provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.*”

It is stated that the SAB will publish an annual report on the pools based on data from the pool member annual reports. It is also stated that pool companies should report in line with the SAB Code of Cost Transparency, with pool companies requiring their internal and external investment managers to do likewise. The final point on the consultation is to state that “*Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.*”

Prepared, for and on behalf of Hymans Robertson LLP, by:-

David Walker, Head of LGPS Investment

William Marshall, Head of LGPS Investment Clients

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## **Local Government Pension Scheme**

### **Statutory guidance on asset pooling**

## **Contents**

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## **Foreword**

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

## 1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

## 2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

**'Pool'** the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

**'Pool member'** an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

**'Pool governance body'** the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

**'Pool company'** the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

**'Pool fund'** a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

**'Pool vehicle'** an investment vehicle (including pool funds) made available to pool members by a regulated pool company

**'Pooled asset'** an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

**'Retained asset'** an existing investment retained by a pool member during the transition period

**'Local asset'** a new investment by a pool member which is not a pooled asset

## 3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

#### *Regular review of services and procurement*

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks ([www.nationallgpsframeworks.org](http://www.nationallgpsframeworks.org)) where appropriate.

#### *Regular review of active and passive management*

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

## **4 Governance**

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

#### *Strategic and tactical asset allocation*

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

## **5 Transition of assets to the pool**

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

#### *Temporary retention of existing assets*

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

#### *Regular review of retained assets*

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

## **6 Making new investments outside the pool**

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

## 7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

*Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:*

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

*Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.*

*Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.*

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

## 8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
  - asset transition during the reporting year
  - transition plans for local assets
  - pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
  - ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

*For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.*

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

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# Wales Pension Partnership

# Key Milestones

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Task	Date	RAG	Comment/Responsible
Reporting Template agreed	31/01/19	G	Schedule of reports provided
Investment Manager Agreements	31/12/18	C	Tranche 1 all complete
Approval of Fund Prospectus	11/06/18	C	
FCA Submission	24/06/18	C	
Global Equity Sub Funds Fund Launch	14/01/19	G	Transition on schedule Global Opportunities to Launch 11/01/19
Agree Funds – <b>Tranche 2</b>	25/07/18	C	Two funds agreed UK Equity and European ex UK Equity
Approval of Fund Prospectus	05/10/18	C	
FCA Submission – Tranche 2	18/01/19	G	
Fund Launch – Tranche 2	19/03/19	G	
Agree Funds – <b>Tranche 3</b>	31/01/19	G	Manager line up approval for third tranche of funds (Fixed Income)
Approval of Fund Prospectus	27/03/19	G	
FCA Submission – Tranche 3	10/04/19	G	
Fund Launch – Tranche 3	11/07/19	G	

# Progress to date

## Initial Funds (Global Equity)

- Launch and transition of assets completed over 11<sup>th</sup> and 14<sup>th</sup> January
- Daily reporting in place, including market commentary
- Restructuring of portfolios scheduled for week commencing 21<sup>st</sup> January
- First reporting to commence February

## Tranche 2 (UK and European Equities)

- Prospectus submitted to FCA week ending 18<sup>th</sup> January
- Fund launch targeting 19<sup>th</sup> March, subject to FCA approval
- Transition proposal shared with pool

## Tranche 3 (Fixed Income)

- Final fund structure proposal agreed with Officers
- Initial Investment Manager proposals to be agreed

# Next Steps

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- Tranche 3 agree Investment Managers – **WPP February 2019**
- Agree approach to transition for tranche 2 – **WPP February 2019**
- Agree future tranches – **WPP March 2019**
- Agree Stock Lending requirements – **WPP February 2019**

# Host Authority Update

- Staffing
- Communications
- Governance
- Reporting

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## DYFED PENSION FUND PENSION BOARD

**DATE 21/03/2019**

### **Pension Board Budget 2019-20**

#### **RECOMMENDATIONS / KEY DECISIONS REQUIRED:**

The Pension Board to approve the Pension Board Budget for 2019-20.

#### **REASONS:**

To approve the Pension Board Budget in advance of the 2019-20 financial year.

<b>Report Author:</b> Chris Moore	<b>Designation:</b> Director of Corporate Services, Carmarthenshire County Council	<b>Tel No.</b> 01267 224120 <b>E. Mail:</b> CMoore@carmarthenshire.gov.uk
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# DYFED PENSION FUND PENSION BOARD

**DATE 21/03/2019**

## **Pension Board Budget 2019-20**

### **BRIEF SUMMARY OF PURPOSE OF REPORT**

To approve the Pension Board Budget in advance of the 2019-20 financial year.  
The budget is the same as the 2018-19 financial year.

**DETAILED REPORT ATTACHED?**

**YES**

## IMPLICATIONS

Policy, Crime & Disorder and Equalities	Legal	Finance	Risk Management Issues	Staffing Implications
<b>NONE</b>	<b>NONE</b>	<b>YES</b>	<b>NONE</b>	<b>NONE</b>
<b>Finance</b> The total budget is £21,040				

# CONSULTATIONS

**Section 100D Local Government Act, 1972 – Access to Information  
List of Background Papers used in the preparation of this report:  
THESE ARE DETAILED BELOW**

Title of Document	File Ref No.	Locations that the papers are available for public inspection/WEBSITE LINK

## Dyfed Pension Board

### Budget 2019-20

1st April 2019 - 31st March 2020

	Budget 2018-2019	Budget 2019-2020	Assumptions/Comments
	£	£	
Chair Annual Fee	10,000	10,000	
Training costs	4,000	4,000	
Travel Expenses & Subsistence	2,000	2,000	
Liability Insurance	5,040	5,040	
<b>Expenditure</b>	<b>21,040</b>	<b>21,040</b>	

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# Agenda Item 7

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

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# Agenda Item 8

By virtue of paragraph(s) 14 of Part 4 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) (Wales) Order 2007.

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# Agenda Item 9

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