

DYFED PENSION FUND PENSION BOARD

Tuesday, 9 July 2019

PRESENT: Mr. John Jones (Chair)

Cllr. G. Lloyd [Ceredigion County Council – Employer Member Representative];
Mr. T. Bowler [Union Member Representative];
Mr. I. Eynon [Pembrokeshire County Council – Employer Member Representative];
Mr. G. Jones [Member Representative];

Also present as an observer:

Cllr. D.E. Williams, Chair of the Dyfed Pension Fund Committee;
Mr. P. Ashley-Jones, Head of Procurement, Pembrokeshire County Council

The following Officers were in attendance:

K. Gerard, Pensions Manager;
A. Parnell, Treasury and Pension Investments Manager;
R. Lewis, Assistant Accountant;
J. Laimann, Assistant Democratic Services Officer.

Democratic Services Committee Room, County Hall, Carmarthen, 2.00 pm – 3.20 pm.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Philip Hughes (Carmarthenshire County Council – Employer Member Representative), Mr Mike Rogers (Pensioner Representative), Mr Chris Moore and Mr Randal Hemingway.

The Chair thanked Mr Ian Eynon (Employer Member Representative) for his contributions to the Board and extended best wishes upon his retirement.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest made at the meeting.

3. MINUTES OF THE PENSION BOARD MEETING HELD ON THE 21 MARCH 2019

With regard to Item 9 (Securities Lending), Mr Parnell advised that Torfaen Council had now agreed to the principle of Securities Lending.

AGREED that the minutes for the Pension Board meeting held on the 21st March 2019 be confirmed as a correct record.

4. DYFED PENSION FUND COMMITTEE 19 JUNE 2019

The Board received for consideration the following reports which had been considered by the Dyfed Pension Fund Committee at its meeting held on the 19th June 2019.

4.1. MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING 21 FEBRUARY 2019

The Board received the draft minutes of the Dyfed Pension Fund Committee meeting held on the 21st February 2019.

AGREED that the minutes be noted.

4.2. BUDGET MONITORING ACTUALS 1 APRIL 2018 - 31 MARCH 2019

The Board considered the Dyfed Pension Fund Budget Monitoring report which provided an update on the latest budgetary position in respect of the 2018/19 financial year.

AGREED that the report be noted.

4.3. UNAUDITED STATEMENT OF ACCOUNTS 2018-19

The Board considered the Dyfed Pension Fund Statement of Accounts for 2018/19, produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, detailing the financial position, performance and financial viability for the year 2018-19 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 31st March 2019 valued the total assets at £2.575bn, up from £2.44bn in 2017/18. This represented an increase in net assets of £135m from 2017/18 to 2018/19. With regard to Fund expenditure, benefits payable and transfers were totalling £87m and returns on investments £152m.

In response to a query, Mr Parnell advised that the transition to the Wales Pension Partnership was expected to incur short term costs due to transition costs but to make savings in investment manager costs over the longer term. Progress would be monitored and reported to the Joint Governance Committee (JGC) on a quarterly basis. Details on the transaction cost would be provided to the Pension Committee and Board at their next meetings.

In response to a query on contributions, Mr Parnell advised that differences between figures in the Budget Monitoring and Fund Account were largely due to different ways of accounting in relation to early retired teachers.

In response to a query on the McCloud case, the Board was advised that the issues would apply to any employee or former employee with a date of birth before 1st April 1957. The appeal had now been rejected and accounts would be amended accordingly and regular updates provided.

It was suggested that Pension Board Members' name be included in the relevant section of the report.

AGREED that the report be noted.

4.4. CASH RECONCILIATION AS AT 31 MARCH 2019

The Board 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 31st March 2019, £5.2m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

AGREED that the report be noted.

4.5. BREACHES REPORT 2018-19

The Board received for consideration the Breaches Report in relation to the Dyfed Pension Fund. Section 70 of the Pension Act 2004 set out the legal duty to report breaches of the law.

With regard to Item 62 in the report, Board Members were advised that the breach related to a requirement to pay automatic refunds after five years to scheme members that had left after April 2014. Scheme members affected by this had been contacted to request their bank details but no response had been received. The LGPS Technical Group recognised this issue on a national scale, especially in relation to refunds of small amounts of money, and the Scheme Advisory Board had asked Ministers to amend the Regulation.

With regard to Item 61, the Board was advised that the breach was due to staffing issues but there was regular engagement with the accountant who was seeking to resolve the issue. The Board was further advised that the majority of breaches related to short-term delays of small employers.

AGREED that the report be noted.

4.6. WALES PENSION PARTNERSHIP (WPP) UPDATE

The Board received a report on the Wales Pension Partnership which provided an update on the milestones and progress to date.

The Board noted key updates which included:

- Key Milestones
- Progress to date
 - Initial Funds (Global Equity)
 - Tranche 2 (UK and European Equities)
 - Tranche 3 (Fixed Income)
- Next steps

Board Members were advised that the WPP was currently exploring private markets. A subgroup of the Officer Working Group would hold a meeting on the subject in July. Tracey Williams had been appointed as Senior Financial Services Officer for the Wales Pension Partnership. With regard to Communications, the Wales Pension Partnership website would be functional by the beginning of August and a LinkedIn page had been set up. A workshop on communications policy had been held after the JGC meeting in June. This would be followed by a workshop on governance after the next JGC meeting in September.

AGREED that the report be noted.

4.7. DRAFT WPP RESPONSIBLE INVESTMENT POLICY

The Board received for consideration the Wales Pension Partnership Draft Responsible Investment (RI) Policy. It was advised that this overarching policy contained principles that every fund would need to consider but had been drafted in a way that could accommodate the RI policies of individual funds. The draft policy would have to be considered by all eight participant funds and would go back to the JGC for signing off in September.

In response to a query, Mr Parnell advised that discussions on the possibility of employing an engagement provider (Paragraph 7.12) were ongoing. With regard to monitoring metrics (Paragraph 9.1), the Board was advised that potential metrics would be explored by the Officer Working Group in collaboration with Russell. Monitoring and reporting on the policy would be provided by Link and Russell.

AGREED that the report be received.

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. FIXED INCOME SUB-FUNDS

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 disclosure would be likely to cause financial harm to the Pension Fund by prejudicing ongoing and future negotiations.

The Board considered a report on the proposed sub-funds and manager structures for the WPP Fixed Income Sub-Funds. Mr Parnell advised that, with regard to the proposed sub-fund structure, only the Global Credit Fund was relevant to the Dyfed Pension Fund. Sub-fund monitoring reports would provide details on the performance of individual managers.

AGREED that the report be noted.

7. INDEPENDENT INVESTMENT ADVISER REPORT

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 disclosure would be likely to cause financial harm to the Pension Fund.

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 31st March 2019.

AGREED that the report be noted.

8. NORTHERN TRUST PERFORMANCE REPORT

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 disclosure would be likely to cause financial harm to the Pension Fund.

The Board considered the Northern Trust Performance report for the Dyfed Pension Fund as at 31st March 2019, 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.

CHAIR

DATE