

DYFED PENSION FUND COMMITTEE

27TH NOVEMBER 2017

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

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

The following Officers were in attendance:

C. Moore, Director of Corporate Services;
A. Parnell, Treasury & Pensions Investments Manager;
K. Gerard, Pensions Manager;
P. James, Pension Investment Officer;
J. Owen, Democratic Services Officer.

Also in attendance:

Mr E. Lambert, Independent Investment Adviser.

Committee Room 2, 3 Spilman Street, Carmarthen – 2:30pm - 3:55pm

1. APOLOGIES AND OTHER MATTERS

There were no apologies for absence.

2. DECLARATIONS OF PERSONAL INTEREST

There were no declarations of personal interest.

3. MINUTES OF THE COMMITTEE MEETING HELD ON 21ST SEPTEMBER, 2017

RESOLVED that the minutes of the Panel meeting held on 21st September, 2017 be received.

4. BUDGET MONITORING 1ST APRIL 2017 - 31ST OCTOBER 2017

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

The current position as at 31st October, 2017 forecast an underspend of £63.2m for 2017/18. From this figure £0.8m underspend related to cash items that had the most impact on the daily cash flow of the Fund. The remaining £62.4m underspend related to non-cash items.

Cash items

Based on current activity to date, it was estimated Benefits Payable and Transfers out to be underspent by £3.9m. This was mainly influenced by the un-controllable nature of lump sum payments and transfers out of the Fund. Contributions and investment income contribute a further £3.8m underspend. This was due to the additional investment income required to keep a positive cash flow to cover £6.9m payment to the Investment Managers to meet investment commitments. The £7.7m underspend less £6.9m payments to the Investment Managers resulted in a £0.8m underspend estimate for the year.

Non-cash items

A £62.4m underspend was due to an increased value of realised gains. This occurred from the segregated passive equities transition which took place in April 2017 as part of the Wales Pension Partnership joint procurement. The non-cash items has no impact on the daily cash flow of the fund.

RESOLVED that the Dyfed Pension Fund Budget Monitoring Report be received.

5. CASH RECONCILIATION AS AT 30TH SEPTEMBER 2017

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

As at 30th September, 2017 £4.5m cash was being held by Carmarthenshire County Council on behalf of the Fund for immediate cash flow requirements to pay pensions, lump sums and investment management costs.

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

6. BREACHES REPORT

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

Section 70 of the Pension Act 2004 sets out the legal duty to report breaches of the law. In the Code of Practice No. 14, published by the Pensions Regulator in April 2015, paragraphs 241 to 275 provide guidance on reporting these breaches. The Dyfed Pension Fund Breaches Policy was approved by the Dyfed Pension Fund Panel in March 2016.

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

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

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

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

7. RISK REGISTER

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

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

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

Members noted that no amendments had been made following the current review and register's approval in April 2017.

The Treasury and Pensions Investment Manager made reference to the risk relating to the insufficient staffing resources to provide meaningful input to the development of the Wales Pension Partnership (WPP). Members were updated that staffing resources would be kept under review to ensure the Fund's interests were properly met when developing investment pooling arrangements. In relation to a comment raised regarding the possibility of introducing agile working for the new post for the WPP, following consideration, the Committee was in agreement that it would not be a practical solution at this time.

In response to a query raised in relation to the risk rating methodology utilised in the register, the Pensions Manager stated that he would review the control measures prior to them being presented to the Pension Board.

RESOLVED that the Risk Register be approved subject to the control measures being reviewed.

8. WALES PENSION PARTNERSHIP;

8.1. WORKSTREAM SUMMARY

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

The Committee noted that the Wales Pension Partnership was on schedule and it was likely that the Operator agreement would be finalised by January 2018.

RESOLVED that the Work Stream Summary as at 30th September 2017 be noted.

8.2. DCLG AUTUMN REVIEW SUBMISSION

The Committee considered the DCLG Autumn Review submission progress report from Wales Pension Partnership on Local Government Pension Scheme Pooling which included:-

- the estimated total value of assets included in the transition plan for investment through the pool structure;
- the estimated total value of assets to be invested outside of the pool structure by participating funds;
- an updated high level project plan to achieve delivery by April 2018;
- including progress with operator procurement/build, design of sub funds, recruitment of core team, appointment of depository and FCA authorisation
- any risks or issues which may delay delivery by April 2018, and any plans to mitigate risks and/or manage issues;
- progress with governance arrangements;
- progress on infrastructure investment and timetable to achieve stated ambition.

With reference to Criterion A: Scale, the Committee noted that the total value of assets of the participating funds referred to in the final submission to DCLG in July 2016 proposal valued as at March 2015, was £12.8bn and that the total value of assets as at 30 June 2017 was £16.3bn.

With regard to the progress of operator procurement, the Treasury and Pensions Investment Manager stated that six bidders were invited to tender but only four had submitted a tender. Members were informed that the formal operator contract was expected to be concluded by end of December 2017.

The Treasury and Pensions Investment Manager provided an update to Members on the current position of the risks and explained that that the risk of challenge to the procurement process or outcome remained open as the procurement process was still ongoing. Members were informed that the design of sub-funds were discussed at the last Investment Practitioners Group held on 24th November, 2017. A report had been prepared for the Officer Working Group meeting on 1st December 2017.

Members were reminded that Carmarthenshire took on the role of “host authority” which was effective from June 2017 and provided secretarial and technical support to the Joint Governance Committee, Officers Working Group and the Operator. In addition Carmarthenshire as the host authority was responsible for contract management in which recruitment of staff was currently underway.

The Pensions Manager highlighted that the table set out within in the report which included the savings estimates would be updated as soon as an operator was in place.

With regard to Criterion D: Infrastructure the Committee noted that the short to medium term ambition was to have at least 5% of assets invested in infrastructure investments with a longer term aspiration being set at 10%. In response to a query, regarding windfarm and solar farm investment, the Director of Corporate Services stated that as part of 8 Wales pension funds, Dyfed Pension Fund was currently considering the potential of investing in the Swansea Tidal Lagoon and that it had been agreed to proceed to the early stages of due diligence.

RESOLVED that the DCLG Autumn Review Submission be noted.

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

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

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

The Committee noted that the ‘opt up’ had been completed by two of the institutions and that the other applications were currently awaiting completion.

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

10. STRATEGIC ASSET ALLOCATION

At this point the Committee:

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.

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED, pursuant to the Act referred to 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 a report on Strategic Asset Allocation which had been prepared following the triennial actuarial valuation as at 31st March 2016.

UNANIMOUSLY RESOLVED that the Strategic Asset Allocation report be approved.

11. OPERATOR SELECTION REPORT

Following the application of the public interest test it was **UNANIMOUSLY RESOLVED**, pursuant to the Act referred to 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 Operator Selection report which provided a summary of the procurement exercise to appoint an operator for the Wales Pension Partnership conducted by the eight Wales Authorities.

UNANIMOUSLY RESOLVED:

11.1 to appoint Bidder 1 as the preferred bidder for the Wales Pensions Partnership procurement, and

11.2 subject to the completion of the standstill period and the finalisation of the Operator Agreement, appoint Bidder 1 as the Operator under the Operator Agreement.

12. INDEPENDENT INVESTMENT ADVISER REPORT SEPTEMBER 2017

Mr Eric Lambert, Independent Investment Adviser presented the Independent Investment Adviser Report September 2017 report to the Committee. The Committee considered the report which provided Members with information in relation to the investment managers' performance for the quarterly, 12 month and rolling 3 year periods ending 30 September 2017.

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

CHAIR

DATE