

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 26th July, 2018 be confirmed as correct record.

4. DYFED PENSION FUND COMMITTEE 18TH 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 18th September, 2018:-

4.1 MINUTES OF THE DYFED PENSION FUND COMMITTEE MEETING 20TH JUNE, 2018

The Board received the minutes of the Dyfed Pension Fund Committee meeting held on 20th 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 31st 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 31st 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 31st 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 30th 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 30th 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 30th 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 30th June, 2018.

AGREED that the report be noted.

CHAIR

DATE